



IMPROVING THE MEDICARE PART D DRUG PROGRAM

The Medicare Part D program was passed into law in 2003 and has been offering drug benefits to Medicare enrollees since January 1, 2006. The program has helped millions of beneficiaries access prescription drug coverage. However, analysts have identified a number of problems with the program, including difficulties posed by the so-called “donut hole”, which causes seniors to lose coverage entirely for a portion of the year; administrative burdens that cause many low-income enrollees to miss out on benefits; and high drug prices that result from the inability of Part D plans to effectively negotiate with drug manufacturers. Affordable Health Care for America Act contains several provisions designed to mitigate these problems.

ELIMINATE PART D DONUT HOLE

- Reduces the size of the donut hole by \$500 immediately in 2010.
- Eliminates the donut hole completely by 2019, using drug manufacturer rebates to cover the cost.
- Drug manufacturers will provide 50 percent discounts on brand-name drugs in the donut hole to reduce costs beginning in 2010 and throughout the phase-out of the donut hole.

ACCESS FOR LOW-INCOME BENEFICIARIES

- Increases allowable assets for qualifying for the Part D low-income subsidies and requires that the allowable asset level rise to take inflation into account.
- Reduces administrative barriers related to eligibility.
- Allows CMS to use “intelligent assignment” for low-income beneficiaries, assuring that the plans in which they are enrolled provide the best access to necessary drugs at the lowest cost to the enrollee and taxpayer.
- Changes calculation of which plans are eligible to enroll low-income beneficiaries at \$0 premium to allow more enrollees to keep their plan each year, rather than be reassigned to a new plan.

PRESCRIPTION DRUG COSTS

- Establishes a new program under which drug manufacturers must provide rebates for dually eligible beneficiaries and uses these rebates to pay for the donut hole closure.
 - This program restores drug rebate levels in effect prior to 2006 when dually eligible beneficiaries received drugs through Medicaid (not Part D), and manufacturers paid the higher Medicaid rebates.
- Requires the Secretary to negotiate with manufacturers to get the best deal possible for beneficiaries.
- Requires Part D plans to work with long-term care pharmacies to reduce unnecessary prescription waste.
- Reduces barriers to Part D plans offering free generic prescription drugs to enrollees.

CONSUMER PROTECTIONS

- Bans mid-year formulary changes, preventing drug plans from using bait-and-switch tactics after beneficiaries have committed to enrolling in a plan.
- Enhances oversight of reimbursements for beneficiaries who retroactively qualify for the low-income subsidy.
- Establishes new penalties for false or misleading marketing by Part D plans.