

## NEW PRESCRIPTION DRUG AFFORDABILITY PROVISIONS TO HELP MEDICARE BENEFICIARIES

*However, advocacy on implementation of patient protections needed*



### RISING OUT-OF-POCKET MEDICATION COSTS DROVE EFFORTS TO IMPROVE AFFORDABILITY

Millions of seniors and people with disabilities across the nation depend on Medicare Part D to help cover the cost of their prescription medications to manage serious, life-threatening, disabling, and chronic conditions. Growing out-of-pocket drug costs have led to 23 million Americans reporting an inability to pay for a prescription within the past year.<sup>1</sup>

In 2019, close to 1.5 million Medicare Part D beneficiaries experienced out-of-pocket (OOP) drug spending in excess of the catastrophic coverage threshold of \$5,100. Once a patient's OOP spend hits the catastrophic threshold, their coinsurance decreases to 5 percent for the remainder of the year. Between 2015 and 2019, almost 3 million Medicare Part D beneficiaries had OOP drug spending above the catastrophic threshold in at least one year during this period. Beneficiary exposure to high OOP costs has continued to increase, with the catastrophic OOP threshold increasing to \$7,400 in 2023.<sup>2</sup> High OOP costs have a profound impact, not just on a person's finances, but also on health and well-being. Research shows that increases in OOP costs can lead to lower medication adherence, with negative impacts on health outcomes and a higher chance of mortality.<sup>3</sup>

Congress recently responded to these concerns with the inclusion of key affordability provisions in the Inflation Reduction Act (IRA), including critical changes to Medicare Part D for which Project LOOP has long-advocated:

1. **Capping annual OOP drug costs at \$2,000**, starting in 2025.



3. **Eliminating cost-sharing for adult vaccines**, effective in 2023.



2. Allowing beneficiaries to pay their drug costs via **zero-interest monthly payment installments** over a calendar year, scheduled to be implemented in 2025.



4. **Expanding eligibility for the Low-Income Subsidy program**, beginning in 2024.



### AS ZERO-INTEREST PAYMENT INSTALLMENT FLEXIBILITY IS IMPLEMENTED, PATIENT PROTECTIONS ARE NEEDED



High, upfront OOP drug costs serve as a barrier to access for many Medicare beneficiaries. In tandem with the annual OOP cap starting in 2025, the IRA contained a payment installment mechanism to help Medicare beneficiaries spread out their OOP drug costs over a calendar year. For example, a daunting and often unaffordable single \$1,500 upfront cost in January can become a much more manageable \$125 payment that can be paid in monthly installments over the course of a year.

<sup>1</sup> Project LOOP, How Congress Can Ensure Affordability for Patients in Medicare Part D.

<sup>2</sup> Kaiser Family Foundation, An Overview of the Medicare Part D Prescription Drug Benefit.

<sup>3</sup> National Bureau of Economic Research, The Health Costs of Cost-Sharing.



Project LOOP urges CMS to develop regulations for the implementation of cost smoothing that incorporate the following protections for **all** beneficiaries:

**However, the law does not outline patient protections to ensure beneficiaries can access the new payment flexibility when needed. Without clear guidance from the Centers for Medicare and Medicaid Services (CMS), insurers may be able to disqualify Medicare beneficiaries from using payment installments for being late or missing a single payment.**

Sudden life events, a hospitalization, administrative errors, travel, and other matters could cause a beneficiary to be late or miss making a cost smoothing payment.

For these reasons, Project LOOP strongly encourages Congress to clarify congressional intent with CMS to provide standardized rules across prescription drug plans and protect beneficiaries from being disqualified from the cost smoothing program due to minor infractions.

1



Providing a **minimum grace period for late payments** following a payment due date.

2



Specifying the criteria by which a Part D Prescription Drug Plan or a Medicare Advantage Prescription Drug Plan can terminate a beneficiary's eligibility for cost smoothing for the remainder of the plan year and outlining an appeals process for reconsideration.

3



Defining the circumstances by which a beneficiary could be permanently disqualified or barred from participating in cost smoothing and outlining an appeals process for reconsideration.

4



Permitting beneficiaries to opt-in to cost smoothing throughout the year, rather than only during an open enrollment period.

The precedent for these types of protections **already exists** for beneficiaries in relation to the payment of premiums for the Medicare prescription drug benefit. Project LOOP encourages Congress and advocates to work with CMS to ensure that similar protections are provided to ensure beneficiaries have access to the new zero-interest payment installment option.

*Project LOOP (Lowering Out-of-Pocket Costs) is an ad hoc national coalition of patient advocacy groups led by the Alliance for Aging Research working to ensure the affordability of prescription drugs for Medicare beneficiaries.*

To learn more cost smoothing and to how to partner with the Alliance for Aging Research to secure these essential beneficiary protections, please contact **Michael Ward**, Vice President of Public Policy and Government Relations at:



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