



Negotiating a Bad Deal for Medicare Budget Savings or Real Value in Part D

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CBO scoring

Budget savings depend on:

- **Incentive** to use cost management tools
- **Authority** to use those tools
- **Administrative feasibility**
- **Interactions and unintended consequences**

How do the negotiation proposals stack up?



Just say “no”

Formularies can be effective in shifting demand between drugs that are close substitutes

Preferred drug lists serve a similar function

History lesson: **Graham-Miller** bill (2002)

- Initially \$1 *trillion* over 10 years
- *NO MORE* than 2 brand drugs per class
- Sunset in 2010—lopped off the last 2 years in budget window
- 10-year score—\$594 billion—nearly \$200 billion more than the Senate could spend

Cost containment tools needed to get a “good” CBO score

Possible options

S.4 – “Shall” negotiate, no formulary, no impact

Snowe-Wyden – Single-source drugs, drugs developed with taxpayer funding, request from plan

Cardin – Government-run PDP

Other schemes: Preferred drug lists, various methods of targeting specific drugs for negotiation, “Good Housekeeping” seal

Tried and not-so-true: “Best price” and other forms of mandated discounts, formula-based pricing

Budget savings, not system savings

Medicare's track record

What will everyone else pay?

Will Medicare save money?

