

The Implications of the New Medicare Prescription Drug Legislation for Health Care Providers

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“Health Care Providers”

- Health Plans
- Physicians

Overview

- **Medicare-endorsed Prescription Drug Card Program**
 - Discounts for all,
 - Subsidies for some, and
 - a very challenging implementation
- **New Medicare Part D Prescription Drug benefit**
 - Challenges in benefit design
 - Prescription drug pricing
 - Formularies and utilization management
 - Significant employer subsidies to continue offering coverage

Health Plans

- Providers of the Part D benefit and the endorsed card
- Will continue providing non-Part D retiree coverage for employers who seek subsidies
- Medicare will join health plans in seeking an enhanced evidence base
- Full risk vs reinsurance payment design
- Value proposition for Medicare Advantage plans may have to change
- Will the “Best Price” exemption improve ability to negotiate prices?

Physicians

- **More certainty that patients will follow through on prescribed therapies**
 - ◆ especially low income patients
 - ◆ but donut hole design for others of concern re continuity of care
- **Increased pressure for prescribing formulary drugs for a larger population**
 - ◆ but no less inconvenience regarding a proliferation of formularies
- **Longer term implications for current Part B covered drug**
 - ◆ if dropped into Part D coverage, possibly lower levels of coverage

Physicians

- **Interactions with Pharmaceutical Manufacturers subject to much higher scrutiny, as application of fraud and abuse rules migrates to outpatient drugs**
 - ◆ **research relationships**
 - ◆ **educational grants**
 - ◆ **“other”**

Operational Challenges

- **Formulary and utilization management**
 - ◆ 2 in each class? Really?
 - ◆ Likely politicization of formulary design process
 - ◆ If too onerous, likely to have separate Medicare formularies, making management more complex
- **Coinsurance design will continue/heighten concern among patients on cost of particular drugs**
 - ◆ Donut hole design difficult
- **The costs of biotech drugs will skyrocket**
 - ◆ Absent work on biogenerics