Key similarities and differences between the Senate and House drug price reduction proposals

**HOUSE: H.R. 3: Lower Drug Costs Now Act**

- **Sponsor:** Rep. Frank Pallone (D-NJ-6), chair of the Energy and Commerce Committee

  - Fine drug-makers for price increases above inflation: Requires Medicare Part B & D drug price increases higher than inflation since 2016 to be undone or pay rebates to the Treasury.


  - Drug price negotiation: HHS would negotiate prices for 25-250 non-generic drugs, use an international index, and fine drug makers who don’t negotiate.

  - Consensus provisions: Includes provisions from the CREATES Act, BLOCKING Act, pay for delay, and updates to the Orange and Purple Book.

**SENATE: Prescription Drug Price Reduction Act**

- **Sponsors:** Sen. Chuck Grassley (R-IA) and Sen. Ron Wyden (D-OR), chair and ranking member of the Senate Finance Committee

  - Requires any future price increases over inflation to be rebated, or face a fine of 125% of the rebate amount.

  - $3100 annual cap, then coverage switches to “catastrophic,” where patient pays 5% of costs; 5% would phase to 0% over time.

  - Does not give Medicare the authority to negotiate drug prices.

Sources: Vox, Health Affairs, McDermott

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The House drug pricing bill would allow price negotiations and cap out of pocket costs

Key components of Pelosi’s drug pricing proposal

**Drug Price Negotiation**

- The HHS Secretary would identify 25-250 drugs lacking price competition and are of the greatest aggregate cost to Medicare and the US health system.
- Maximum prices cannot be higher than 1.2x of an international pricing index.
- Companies forgoing negotiations would face a tax starting at 65% of the previous year’s sales and increasing 10% every quarter the company refuses to comply up to 95%

**Reducing Out-of-Pocket Costs for Seniors and Modernizing Part D**

- Caps seniors’ out-of-pocket prescription drug costs at $2,000 per year.
- Modifies financing mechanisms to lower federal reinsurance during catastrophic coverage periods and replace an existing manufacturer discount program.

**Medicare Part B & D Inflation Rebates**

- If drug companies increased the price of a drug in the programs above the rate of inflation since 2016, the company is required to either lower the price or pay the entire price above inflation in a rebate back to the Treasury.

**Improvements to Medicare & Additional Investments**

- Reinvest savings from negotiated prices into research and development at NIH.
- Could potentially expand Medicare coverage for vision, hearing, and dental.

The Senate Prescription Drug Pricing Reduction Act of 2019 would introduce out-of-pocket caps for Medicare Part D

**Current Part D benefit structure**

- **Out-of-pocket drug cost**
  - 5%, no limit (current); 5% phased out to 0% (proposed)
  - Catastrophic threshold: $8,140
  - Initial coverage limit: $3,820
  - Deductible: $415
  - Coverage gap: $1,266

The Part D benefit structure is broken into four phases, where each designates varying levels of financial responsibility between the patient, the plan, Medicare, and drug manufacturers.

When patients enter the catastrophic phase of coverage, they are responsible for paying 5% of the cost—with no limit set on their out-of-pocket expenses.

**Proposed change to the share of payments in the catastrophic phase**

- **Medicare**: 5%
- **Health plan**: 15%
- **Manufacturer**: 20%
- **Beneficiary**: 60%

**Current model**
- 5%
- 80%
- 20%
- 60%

**Proposed model, brand-name**
- 15%
- 60%
- 20%
- 40%

**Proposed model, generic**
- 60%

Sources: CNBC, Senate Committee on Finance, Kaiser Health News, Health Leaders, FierceHealthcare

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