



Welcome to *Washington Update*, the weekly e-newsletter on the latest health care happenings in the nation's capital that affect APC's members.

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First Round Of Medicare Prescription Drug Price Negotiations Said To Yield Savings – But How Much May Be Unknown

A more than two-decade battle to give the U.S. government the ability to negotiate prescription drug prices for Medicare culminated this week in newly negotiated prices for ten of the most costly drugs prescribed for Medicare beneficiaries. Under the [Medicare Drug Price Negotiation Program](#), a provision of the 2022 [Inflation Reduction Act](#) (IRA), the Centers for Medicare & Medicaid Services (CMS) [announced lower prices](#) that it and pharmaceutical manufacturers had agreed to for key medications to treat conditions such as cardiovascular disease, diabetes, autoimmune disorders, and cancer. Had these newly negotiated “Maximum Fair Prices” been in effect in 2023, CMS said in a news release, resulting savings for Medicare would have been \$6 billion, or about 22 percent of the program’s spending on these drugs that year. Patients, meanwhile, would have paid \$1.5 billion less in out-of-pocket costs.

True negotiations? In background materials released as the new prices were announced, CMS took pains to argue that the negotiations with pharmaceutical manufacturers truly had been just that – negotiations, rather than exercises in dictating

government price fiats. The agency said that three separate meetings with each manufacturer sometimes resulted in CMS revising its own price bids upward, even as “many drug companies revised their counteroffers for their drugs downward, based on the discussions with CMS,” the agency said. After the back and forth, CMS implies that the agency and manufacturers came to terms on prices for four of the ten drugs, but that the agency rejected other counteroffers and sent these other manufacturers “a written final offer” that the companies eventually accepted.

Savings? Nothing in the pharmaceutical market is ever simple, however. Although CMS said the discounts obtained on the 10 drugs range from [38% to 79%](#) off of “list” prices, very few if any entities actually pay these list prices for drugs, except perhaps some uninsured consumers. And in fact, the pharmaceutical benefit management (PBM) companies and prescription drug plans that have long been negotiating drug prices under Part D of Medicare have already been obtaining significant discounts on many of these drugs – although a lack of transparency in that market segment makes it difficult, if not impossible, to know precisely how big those savings have been.

The [trade organization](#) representing the PBMs – themselves enmeshed in controversy and facing possible [legislation](#) requiring greater transparency – [said its own analyses](#) showed that PBMs had already obtained even greater discounts from pharmaceutical manufacturers on six of the 10 drugs included in the government’s price negotiation program. “The key to reducing drug costs is to increase competition among manufacturers,” the organization said, suggesting that CMS focus in the future on “those drugs where a lack of competition is driving higher prices and higher costs, and to allow PBM negotiations to continue to deliver value and savings for Medicare.”

Next steps: The IRA requires that additional drugs be included in price negotiation each year. By February 1, 2025, CMS will announce the list of another 15 drugs that will be added to the next round of negotiations for prices that will take effect in 2027. Earlier this year, the Biden Administration proposed that prices of another 500 drugs be negotiated, but it is unclear whether expansions of the IRA or CMS’s negotiating authority will be approved by a future Congress.



In Case You Missed It

- United Health Group issued a lengthy [response](#) to two recent *Wall Street Journal* [articles](#) claiming that Medicare Advantage plans used health risk assessments, chart reviews, and other means to falsely inflate diagnostic codes without

providing commensurate treatment, thus obtaining billions of dollars in higher risk adjustment payments from the government. The UHG analysis cited multiple inaccuracies and “flawed methodologies” in the *Journal's* investigation – in particular, citing rates of actual treatment for MA patients diagnosed with HIV that were four times higher than what the *Journal* reported.



APG Announcements And Offerings

- [REGISTRATION NOW OPEN!](#) - **APG's Annual Fall Conference 2024 will be held November 11 – 13 in Washington, DC.** This year's theme is ***Health Care Strong: Embracing Change and Thriving in Uncertain Times***. Register now for Super Early Bird savings!
- The next APG Hosted Webinar, "**Intersecting Clinical Documentation Improvement (CDI) and Technology to Positively Impact Risk Adjustment and Patient Outcomes**" will take place on **Thursday, October 3, 2:00-3:00 pm ET**. The webinar will be presented by Episource. For more information, including the learning objectives and speakers, [click here](#). Please register [here](#).
- Want to get more involved in APG's Federal advocacy efforts? [Join APG Advocates today](#).

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