



The Financial Impact of the Proposed HHS Safe Harbor Rule: Bad for Seniors and Taxpayers, Good for Big Pharma

In January 2019, the Department of Health and Human Services (HHS) and the HHS Office of the Inspector General released a proposed rule modifying the Safe Harbor protections for rebates in Medicare Part D. But this rule, as written, will **increase premiums and costs** for Part D beneficiaries, **increase taxpayer spending** on Medicare Part D, and deliver a **windfall to pharmaceutical manufacturers**.

RAISING COSTS FOR PART D BENEFICIARIES

- All six actuarial estimates cited by HHS show that Part D premiums will increase for beneficiaries under the proposed rule.
- According to HHS, in the first year of the proposed rule, beneficiary premiums may spike as much as 22%, or more than \$61 per beneficiary per year on average.
- After ten years, CMS' own actuary estimated that beneficiaries' premiums would spike by 25% on average.
- While the rule will benefit a minority of Part D beneficiaries with high drug utilization, the majority of beneficiaries are expected to see their premiums increase as a result of the rule.

INCREASING TAXPAYER SPENDING ON MEDICARE PART D

- CMS' own actuary estimated that the proposed rule would cost the federal government \$196 billion dollars over a decade.
- According to the CMS actuary, the rule would cause federal spending on direct subsidies for Part D beneficiaries to spike by over \$258 billion in the first decade, a 119% increase over current spending forecasts.

REDISTRIBUTING MILLIONS OF DOLLARS TO DRUG COMPANIES

- Because the proposed rule will move fewer beneficiaries into and through Part D's donut hole, drug companies will end up paying millions of dollars less in Medicare Part D.
- As a result, HHS estimates that this rule could save drug companies anywhere from \$17 to nearly \$40 billion over its first ten years.
- CMS actuaries note that drug makers will initially keep 15% of the rebates they currently pass along for themselves.

HHS' Safe Harbor Rule is **one of the most expensive regulations ever proposed** by any Administration, and has a guaranteed financial benefit for drug companies. This rule is simply the wrong prescription to lower drug prices.