



Eliminating Drug Rebates: Bad for Seniors and Taxpayers, Good for Big Pharma

President Trump has signed an Executive Order seeking to eliminate drug rebates in Medicare Part D, after the Administration withdrew the same proposal (known as the “rebate rule”) in 2019. This rule would **increase premiums and costs** for Part D beneficiaries, **increase taxpayer spending** on Medicare Part D, and deliver a **windfall to pharmaceutical manufacturers**. Seniors and taxpayers couldn’t afford this policy then or now, in the midst of a pandemic and severe economic downturn.

RAISING COSTS FOR PART D BENEFICIARIES

- Six actuarial estimates requested by HHS show that Part D premiums would increase for beneficiaries under the proposed rule.
- According to HHS, in the first year of the proposed rule, beneficiary premiums could spike as much as 22%.
- After ten years, CMS’ own actuary estimates that beneficiaries’ premiums would spike by 25% on average.
- The majority of Medicare Part D beneficiaries would see their premiums increase as a result of the rule.

INCREASING TAXPAYER SPENDING ON MEDICARE PART D

- CMS’ own actuary estimates 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 would 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 would initially keep 15% of the rebates they currently pass along for themselves.

The rebate rule is one of the most expensive regulations ever proposed and does not lower drug prices. It was the wrong prescription for seniors and taxpayers in 2019 and would be even more damaging now.