



# What They're Saying: Eliminating Rebates in Medicare Part D

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 because it was too expensive and ineffective.

Experts across the system agree: **this proposal would increase drug prices for seniors. Now is not the time to revive this policy.**

## ACADEMICS

- **Ike Brannon, Senior Fellow, Jack Kemp Foundation:** "The administration's proposal to end rebates fundamentally misdiagnoses the problem with Medicare Part D: rebates are an effect and not the cause of higher drug prices for seniors. What's more, rebates are arguably the only mechanism keeping drug prices in check."
- **Aaron Kesselheim, Associate Professor of Medicine, Harvard Medical School:** "Simply trying to eliminate rebating without any other steps threatens to drive up drug prices overall...Rebates are a key mechanism that insurers use to try to reduce net drug prices."
- **Rachel Sachs, Associate Professor of Law, Washington University in St. Louis:** "Given the uncertainty around the behavior of relevant stakeholders in response to the rule, the proposal does not (and possibly cannot) aim to predict whether pharmaceutical companies will respond by reducing list prices, a goal of the administration's."
- **Zach Cooper, Associate Professor, Yale University:** "Until data on the true net price of Rx drugs becomes available, the discussion of Rx pricing is going to be focused on rebates. Unfortunately, rebates...aren't the core reason drug prices are high."
- **Joseph Antos, Resident Scholar in Health Care and Retirement Policy, American Enterprise Institute:** "Undercutting the ability of PBMs to secure rebates would shift power and leverage to drug manufacturers. It is hard to see how taking that step would lead to lower overall costs for consumers."
- **Fiona Scott Morton, Professor of Economics, Yale School of Management:** "A solution to tackle the problem of high out-of-pocket consumer costs that also promotes competition...is more desirable than one that reduces competition, such as the HHS Rule. The HHS Rule, by reducing competition between drugs, will lead to higher equilibrium prices."
- **Ian Spatz, Senior Advisor, Manatt Health:** "I have never seen a regulatory impact statement on a proposed rule state so clearly that the impacts are impossible to know and that the best analyses suggest some very negative results such as higher premiums in Medicare Part D and overall higher drug costs."

## STAKEHOLDERS

- **David Certner, Legislative Counsel and Legislative Policy Director, AARP:** "While the intent behind the proposed rule is laudable, we are troubled by estimates that the proposal will increase Medicare and taxpayer spending, raise premiums for all Medicare Part D beneficiaries, and increase revenue for drug manufacturers. As we look at solutions to lower prescription drug prices and costs to consumers, we need to find solutions that will actually lower prescription drug prices and not simply shift costs around within the system."
- **Peter Maybarduk, Director of Access to Medicines, Public Citizen:** "To solve the problem of high drug prices, ultimately we will need to challenge the source: the monopoly pricing power of Big Pharma."
- **Citizens Against Government Waste:** "But a July 2019 Government Accountability (GAO) report found that PBMs retained less than 1 percent of the rebates and passed the rest to their plan sponsors, like the employer. The plans use these savings to help offset the growth in drug costs and keep drug benefit premiums low in the private market and in Medicare Part D."
- **Allyson Y. Schwartz, CEO, Better Medicare Alliance:** "The concern remains that this move fails to address the root cause of high prescription drug costs which starts with list prices set by drug manufacturers...The proposed rule risks destabilizing Part D premiums for seniors."
- **Campaign for Sustainable Rx Pricing:** "Engaging in price hikes during a pandemic, while receiving billions of dollars from taxpayers to help develop COVID-19 treatments, demonstrates why policymakers must act to hold Big Pharma accountable — and why now is NOT the time to revisit or implement the misguided Rebate Rule that would hand Big Pharma a bailout at the expense of American patients, seniors and taxpayers."