



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

President Biden has delayed a Trump-era rule seeking to eliminate drug rebates in Medicare Part D, after the Trump 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. The rule should be eliminated for good.

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.