PhRMA, Senate Panel Reach Deal on Part D

BY JOYCE FRIEDEN

Major pharmaceutical firms have agreed to offer drug discounts to Medicare beneficiaries who are trapped in the Part D "doughnut hole," President Obama announced.

The president endorsed an agreement reached between the Pharmaceutical Research and Manufacturers of America (PhRMA) and Sen. Max Baucus (D-Mont.), chairman of the Senate Finance Committee. Mr. Obama explained that "as part of the health care reform I expect Congress to enact this year, Medicare beneficiaries whose spending falls within this gap will now receive a discount on prescription drugs of at least 50% from the negotiated price their plan pays. It's a reform that will make prescription drugs more affordable for millions of seniors, and restore a measure of fairness to Medicare Part D."

The estimated cost of the discount program, which applies only to brand-name drugs, is $80 billion over the next decade.

Medicare Part D enrollees who are in the doughnut hole will receive their discounts at the pharmacy and will not have to fill out any additional paperwork. They also will receive credit for the full cost of a drug against their spending obligation in the doughnut hole, even though they are actually paying half that amount.

President Obama noted that under the Medicare Part D prescription drug benefit, "Medicare covers up to $2,700 in yearly prescription costs and then stops, and the coverage starts back up when the costs exceed $6,100. [That] means between $2,700 and $6,100, folks are out of luck. And this gap in coverage has placed a crushing burden on many older Americans who live on fixed incomes and can't afford thousands of dollars in out-of-pocket expenses."

At the White House event, Barry Rand, CEO of AARP, which endorsed the agreement, called the deal "an early win for reform and a major step forward."

Mr. Rand said, "Too many Americans who fall into the coverage gap stop taking their medications because they simply cannot afford them. They will now have a new opportunity to lead a healthier life."

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Billy Tauzin, president and CEO of PhRMA, noted in a statement that "even though we have had policy disagreements in the past [with AARP], this is an historic coming-together moment. AARP, the largest advocacy organization on behalf of American seniors, clearly recognizes the importance of innovative, cutting-edge medicines to the lives of patients everywhere.

Sen. Baucus noted in a statement that when it was created, the Part D benefit "helped address the problem of skyrocketing prescription drug prices for millions of seniors. [With this agreement] we helped fill the gap in coverage and finished the job. … This benefit is part of our continued commitment to seniors and our ongoing effort to reform health care by lowering health care costs and ensuring all Americans have access to the quality, affordable health care coverage they deserve."

The Medicare Rights Center, a consumer group that advocates improved Medicare benefits, expressed cautious optimism about the agreement. "As always, the devil is in the details," center president Joe Baker said in a statement.

"We look forward to working with President Obama and the Congress to making the promised discount most useful." He added that the discount complements the health-reform proposal from the chairmen of three House committees to phase out the Part D doughnut hole. "Full coverage of both brand-name and generic drugs is the best way to ensure people with Medicare can afford the medicines they need," said Mr. Baker. ■