



Medicare Part D ‘Doughnut Hole’ May Not Be Worth Filling

BY JOEL B. FINKELSTEIN
Contributing Writer

WASHINGTON — Rhetoric aside, it’s not clear whether lifting restrictions on the government’s ability to negotiate pharmaceutical prices for the

Part D benefit will have any real impact, experts said at a forum on the future of Medicare sponsored by the Association of Health Care Journalists.

Democrats, poised to take over the majority in Congress in January, have announced intentions to push legislation

that would enable the Secretary of Health and Human Services to negotiate drug prices directly with manufacturers, similar to what is currently done by the Veterans Affairs system. Sen. Edward Kennedy (D-Mass.), who will chair the powerful Health, Education, Labor, and Pension Committee next year, has placed this legislation near the top of the committee’s agenda.

“I’m a little perplexed at how this issue is going to play out,” said Paul Ginsburg, Ph.D., president of the Center for Studying Health System Change. “In a sense, if you really want the government to negotiate with manufacturers, you might as well repeal, not the benefit, but the whole structure of delivering it.”

The Part D program is based on the concept that the different plans would compete with each other based on price, said Marilyn Moon, Ph.D., vice president and director of the health program at the American Institutes for Research.

Democrats intend to push legislation that would enable the Secretary of Health and Human Services to negotiate drug prices with manufacturers.

“If you hand them a price list, there’s really no reason for them to be there. It’s very difficult to imagine how you would do this,” she said. “This is going to be much more of a morass than people think.”

Medicare already sets prices for physician services and many medical procedures, but setting prices for prescription drugs is far more complicated than setting prices for something like procedures, which can be based on hospital expenses, Dr. Ginsburg said.

“Setting prices for pharmaceuticals, given the fact that the actual production costs of pharmaceuticals are a very small part of the total cost of pharmaceuticals—most of it is in R&D for that drug and for the drugs that didn’t make it—that’s a much more challenging job to do well,” he said.

However, Democrats argue that negotiating drug prices will help solve other problems with Part D.

Giving the government the ability to negotiate discounted drug prices will lower expenses for seniors and yield savings for Medicare that can be used to fill the gap in coverage known as the doughnut hole, according to a statement from Sen. Kennedy’s office.

But the new Congress could design a workaround to fill the doughnut hole without adding money to the program, Dr. Moon said.

“My concern about the doughnut hole is that who it really hits are the people who are taking maintenance drugs, who are also the main ones who can save costs over time” by keeping their health problems in check, she said.

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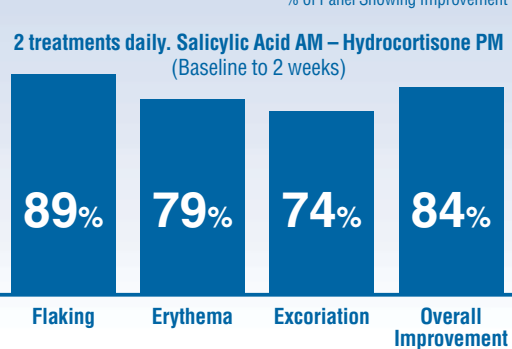
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