

WHY YOUR **MEDICARE** PART D DRUGS **COULD COST LESS IN 2021**

Prescription drug costs are a huge burden for many Americans and a huge portion of how much Medicare costs for many seniors. What's more, it's common knowledge that pharmaceuticals can be much more expensive in the US than the same medication is in Canada or Europe.

In an effort to lower these prescription drug costs, the Trump Administration has pushed out two rules in the last weeks of its administration to change the way drug prices are regulated. These are the Most Favored Nation ("MFN") Model, which will impact prices for Medicare Part B drugs, and a Rebate Safe Harbor Rule that will impact prescription drug plans in Medicare Part D.

How these new rules will change drug pricing, and whether or not they'll stand up to legal scrutiny, is complicated by the quick rollout of the new rules so close to the end of Trump's administration.

The Most-Favored-Nations Rule, and what it means

The Most-Favored-Nations Rule ties Medicare Part B drug prices to benchmark prices set by a select group of OECD countries. The goal would be to set drug prices in the US on par with other nations and to limit the incentives behind high drug prices.

This rule would only impact Medicare Part B, which means medications and drugs administered directly in a doctor's office, rather than prescriptions filled out at your local pharmacy.

Some complications that may arise due to the MFN Rule are the question of how to set these benchmark prices based on the new rule, as well as the potential to alter prices globally in response.

The Rebate Safe Harbor Rule, and what it means

The Rebate Safe Harbor Rule would affect Medicare Part D prescription drugs. Medicare Part D is an optional component of Medicare, unlike Medicare Parts A and B, so it would only impact those who have elected for prescription drug coverage.

The RSH Rule would modify guidelines intended to restrict kickbacks to pharmacists and instead pass those rebates on to patients. In addition, it has the potential to incentivize drug manufacturers to lower the list prices of medications.

Will the new rules stand?

The MFN and RSH Rules both face similar issues in the coming months, based on procedural, political, and industry critics.

The pharmaceutical industry is likely to challenge the MFN Rule in court, and the administration's skipping of an interim procedural step — a Notice of Proposed Rulemaking — could be problematic.

Additionally, while making pharmaceutical pricing fairer for Americans is an issue with wide bipartisan support, the newly elected Biden administration has made specific campaign promises about how they would address the issue. Biden has proposed instead tying drug price increases to inflation and allowing Medicare to negotiate directly with drug manufacturers. Issues of fine-tuning the implementation of the MFN and RSH Rule would fall to the Biden administration, so there is a possibility that these ideas could be replaced wholesale.

Source: iQuanti, Inc.