



Medicare Payment Advisory Commission Focuses on Part B and Part D Reforms

During its two-day meeting in January, the Medicare Payment Advisory Commission (MedPAC) discussed potential drug pricing and reimbursement reforms for Part B and planned study priorities for Part D. These policy proposals for Parts B and D are expected to be a focus for MedPAC's work in the coming months, including the March meeting.

Potential Part B Reforms

MedPAC is considering a package of potential reforms designed to address the rising cost of Part B drugs. Recommendations under consideration include the following:

- **Drug Value Program (DVP):** Based on MedPAC discussions and materials available to date, the DVP would be a voluntary, market-based vendor purchasing system that would allow multiple private vendors and manufacturers to negotiate drug prices directly. Vendors would have certain leveraging tools such as formularies, step therapy and prior authorization and would be prohibited from negotiating prices that are more than the Average Sales Price (ASP). For drugs without close substitutes, the proposal contemplates that the DVP would allow vendors to use arbitration to set a price. As proposed, the DVP would be an alternative, not a replacement, for the current buy-and-bill system but would include certain incentives for doctors to enroll.
- **Changes to the ASP-based reimbursement system:** The proposed reforms to the ASP-based reimbursement system would attempt to address price discrepancies between biosimilars and their biologic reference products and to maximize price competition by combining biosimilars and their biologic reference products into common billing codes and by reducing reimbursement for newly introduced biosimilars and single-source drugs. Other proposed ASP reforms include capping drug price increases, expanding manufacturer reporting of ASP data, increasing penalties for noncompliance and reducing the ASP add-on percentage that physicians receive under the current system.

Planned Part D Study Priorities

MedPAC is planning to study several aspects of the Part D program, including reinsurance, the relationship between the pharmaceutical supply chain and drug prices, appeals and electronic authorization. Certain MedPAC commissioners, however, are pushing for more immediate focus on specific measures that they believe would address the rising cost of Part D drugs. These commissioners have urged further consideration of policies such as price caps, value-based purchasing arrangements and price negotiation. The price negotiation proposal potentially could receive additional attention in light of remarks from President Trump and his communications director indicating that the White House may support such a policy. Meanwhile, a number of industry stakeholders are working to advance policies and proposals that would help facilitate value-based arrangements.

If you have any questions regarding this Sidley Update, please contact the Sidley lawyer with whom you usually work or

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