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May 16, 2016

Dear Representative:

On behalf of the 1.6 million members of the American Federation of State, County and Municipal Employees (AFSCME), I am writing to express our support for the Centers on Medicare and Medicaid Services' (CMS) proposed Part B Drug Payment Model proposal and our opposition to H.R. 5122, which would block CMS from finalizing and implementing this important demonstration project.

The CMS proposal is designed to test payment models in order to determine whether alternative models would promote better quality and higher value. Currently, CMS reimburses for drugs administered in a doctor's office or hospital outpatient setting by paying the average sales price plus 6%. As a consequence, the payment methodology creates a bias for the use of more expensive drugs and may encourage drug makers to continually inflate their prices. Under the current payment system, providers who prescribe equally effective but less expensive drugs are disadvantaged financially.

Because beneficiaries are responsible for 20% of the cost of Part B drugs, a payment methodology that encourages the use of more expensive drugs creates a substantial and even unaffordable burden for many Medicare beneficiaries, especially the six million beneficiaries who do not have supplemental coverage. A study by the Government Accountability Office found that out-of-pocket costs for new Medicare Part B drugs ranged up to \$107,000 per drug in 2013. Higher than necessary costs for Medicare Part B drugs also drive up costs for employers who provide their retirees with supplemental coverage. In 2013, CMS and Medicare beneficiaries spent \$20.9 billion on the administration of Medicare Part B drugs. With this level of spending, it is incumbent upon CMS to seek to ensure that its payment methodology is aligned with quality and value.

We do not believe that the CMS proposal will limit the ability of providers to make decisions that are in the best interest of their patients. Nor do we believe that the proposal will adversely impact beneficiary access to needed care. In fact, the proposal minimizes payment as a factor in treatment decisions.

The CMS proposal is a thoughtful approach to testing reforms that will deliver the best value for taxpayers and beneficiaries. We believe that it is in the best interest of taxpayers and beneficiaries that this demonstration project be allowed to go forward.

Sincerely,

Scott Frey  
Director of Federal Government Affairs

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**American Federation of State, County and Municipal Employees, AFL-CIO**

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