



Statement on the Proposed Part B Drug Payment Model

Statement of Max Richtman

President and CEO

National Committee to Preserve Social Security and Medicare

Subcommittee on Health

Committee on Energy and Commerce

U.S. House of Representatives

Hearing on "The Obama Administration's Medicare Drug Experiment: The Patient and Doctor Perspective"

Washington, DC

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Chairman Pitts and Ranking Member Green:

I am Max Richtman, President and Chief Executive Officer of the National Committee to Preserve Social Security and Medicare, and I appreciate the opportunity to submit this statement for the record. With millions of members and supporters across America, the National Committee is a grassroots advocacy and education organization dedicated to preserving and strengthening safety net programs, including Social Security, Medicare and Medicaid. These programs are the foundation of financial and health security for older Americans, but improvements are needed to ensure that beneficiaries receive the care they need and that they are protected from unaffordable out-of-pocket costs.

The Medicare Part B payment model proposed by the Centers for Medicare & Medicaid Services' (CMS) provides an opportunity for improving the incentives for prescribing drugs by creating an evidenced-based approach to payment. The model will test the suitability for the Medicare program of value-based insurance design tools used in the private sector. The National Committee supports transitioning Medicare to a program that rewards value not volume in order to improve health outcomes and reduce wasteful spending. The proposed drug payment model is an important step toward that goal.

Establishing an Evidence-Based Approach to Payment

It is critically important that CMS calibrate payment for drugs to guard against inappropriate prescribing of higher-cost drugs where similarly effective lower-cost alternatives exist. Payment policy should promote appropriate use of drugs to ensure the best patient outcomes and careful stewardship of limited resources.

Under the current Average Sales Price (ASP) +6% payment methodology, physicians get paid more for more expensive drugs than for less expensive drugs. There is some evidence showing that ASP +6 creates incentives for physicians to steer patients to more expensive drugs and that it may create access problems to less expensive drugs. But the actual impact of this method on prescribing patterns has not been comprehensively evaluated by CMS. We applaud the agency for proposing an evidence-based framework for testing an alternative payment system that neutralizes reimbursement as a consideration for physicians when prescribing drugs. We appreciate CMS' responsiveness to the Medicare Payment Advisory Commission's (MedPAC) suggestion that CMS consider a blended flat fee plus percentage payment in order to eliminate a payment bias toward higher cost drugs that exists under ASP +6.

It should be noted that the current ASP +6 has not been similarly evaluated to ensure that access and quality are not negatively affected by current practice. Any alternative payment structure that ultimately emerges from the proposal's Phase I and Phase II results will be more empirically informed than the current physician payment model.

Monitoring

The National Committee believes that while the scope of the proposed model is comprehensive—requiring participation of all providers and suppliers within selected regions in either the trial or control arm—it includes appropriate safeguards to ensure that access and quality of care are not adversely affected during the course of the demonstration. Also, CMS has raised reasonable concerns about selection bias that may occur in a voluntary model or one that is limited by various characteristics of either physicians or drug type. The National Committee believes that CMS has built in adequate safeguards into the model to detect unintended negative responses to changes in its comprehensive model that should mitigate concerns about the expansive scope of the model. The National Committee believes that any changes to the model must not compromise the adequacy of the sample size, which must be sufficiently large to generate unbiased, generalizable results.

The key safeguard under the proposal is its ongoing evaluation of prescribing patterns. This ongoing evaluation of data should allow CMS to detect problems and make mid-course corrections in the event that problems with access to medications and/or quality of care emerge. Specifically, CMS indicates it has the capacity to review claims data in near real time to assess for access and outcomes, a process it has used effectively to monitor the durable medical equipment competitive bidding demonstration.

Test of Value-Based Insurance Designs

The National Committee further supports the payment model's Phase II efforts to improve the evidence base around value-based design tools. This careful approach will allow Medicare to

learn from innovations in the private sector while tailoring these approaches to the needs of beneficiaries.

The National Committee is encouraged by CMS' intent to better align payment with outcomes through an evaluation of payment methods such as outcomes-based pricing, indication-based pricing, and lower cost sharing for high-value care. A great deal of transparency around how high-value therapies will be identified will be required. The National Committee is particularly supportive of efforts to look at eliminating cost sharing for high-value services and the prohibition on balance billing in the evaluation of reference pricing. Half of beneficiaries have annual incomes at or below approximately \$24,000. Value-based payment methods should positively encourage the use of appropriate services without placing onerous financial burdens on beneficiaries.

The National Committee has urged CMS to engage in regular public reporting of results and to solicit input from a broad range of stakeholders, including consumer groups, in order to inform both the development of the model and also to identify potential areas of concern as they emerge. Given the scope of the test, the National Committee has urged CMS to develop formal opportunities for stakeholder engagement such as holding regular stakeholder meetings and creating an advisory committee.

We look forward to working with members of the Energy and Commerce Committee on ways to improve the Medicare program for beneficiaries.

Sincerely,

A handwritten signature in cursive script that reads "Max Richtman".

Max Richtman
President and CEO