

United States Senate

WASHINGTON, DC 20510

May 16, 2016

Sylvia Burwell
Secretary
Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Andy Slavitt
Acting Administrator
Center for Medicare and Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

Patrick Conway, MD, MSc,
Acting Principal Deputy Administrator
Deputy Administrator for Innovation and Quality
Chief Medical Officer
Center for Medicare and Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

Dear Secretary Burwell, Acting Administrator Slavitt, and Acting Principal Deputy Administrator Conway:

We write to offer our support for, and comments regarding, the Centers for Medicare & Medicaid Services' (CMS) proposed Medicare Part B drug payment demonstration (the Demonstration) announced on March 11, 2016.¹ We commend the administration's efforts to address the burden of high drug costs on Medicare beneficiaries and taxpayers and to align drug purchasing with value. As you move forward with finalizing and implementing the Demonstration, we urge you to consider changes proposed by stakeholders, including patients and providers. It is important that Medicare Part B program drug payments ensure access to necessary medications, build on existing payment reform models, enhance private sector payment innovations, and promote value.

Spending on prescription drugs has risen significantly in recent years, driven in part by high and rising drug prices. This affects patients and taxpayers alike. A recent IMS Health report found that list prices for brand-name drugs increased by more than 12% in 2015, representing the

¹ <https://www.federalregister.gov/articles/2016/03/11/2016-05459/medicare-program-part-b-drug-payment-model>

second year of double-digit increases.² In the Medicare Part B program, spending increased by an average annual rate of 7.7% between 2005 and 2014, with just 20 drugs accounting for 57% of the costs.³ Given that seniors enrolled in Medicare Part B are required to pay 20% of costs with no limit on cost sharing in the standard benefit, the amount beneficiaries have to pay for these drugs can be significant, ranging from \$1,900 up to \$107,000 per beneficiary, according to the Government Accountability Office.⁴ Now is the time for CMS to act to help these beneficiaries, especially those who struggle to financially absorb these high costs.

The Demonstration advances the conversation about how the Medicare payment system can incentivize value and outcomes, rather than simply volume. Phase I of the Demonstration project aims to improve financial incentives that currently reward physicians and hospitals for choosing more expensive treatments, rather than the ones that are the most effective. Phase II of the Demonstration will test new value-based payment models.

As you work on finalizing the Demonstration, we ask that CMS consider the following:

- *The Demonstration should be finalized after taking into consideration, and addressing, information submitted by healthcare and beneficiary communities.*
Some stakeholders have cautioned that the Demonstration may limit beneficiary access to important medications, especially in community-based settings, shift the site of service to hospitals, or that it may adversely impact rural providers and small, independent physician practices, especially given the short implementation timeline. Other stakeholders have expressed strong support for the Demonstration, including many organizations that represent beneficiaries, such as AARP, Medicare Rights Center, and Families USA. Any change to reimbursement will result in changes to the delivery system, and CMS should take all steps necessary to carefully assess and monitor feedback from patients and physicians, and preserve beneficiary access to medically necessary medications.
- *The Demonstration advances CMS, Congressional, and private-sector efforts to pay for value in the health care system.*
Drugs paid for by Medicare Part B represent some of the greatest advancements in medical treatment. These products are helping seniors and people with disabilities live longer, healthier lives. As new products are developed, Medicare should continue to advance the way it pays for these products, building on existing efforts that reward health outcomes and value.

Paying for value is a strong theme in the health care system, as payments to hospitals, post-acute care providers, and physicians from both public and private payers have been transitioning from fee for service to alternative payment models. Congress has consistently signaled its support for transitioning away from fee-for-service payments, most recently with the passage of the Medicare Access and CHIP Reauthorization Act of

² <http://www.imshealth.com/en/thought-leadership/ims-institute/reports/medicines-use-and-spending-in-the-us-a-review-of-2015-and-outlook-to-2020>

³ <https://aspe.hhs.gov/sites/default/files/pdf/187581/PartBDrug.pdf>

⁴ <http://www.gao.gov/products/GAO-16-12>

2015 (MACRA). CMS is engaged in several hospital and physician payment demonstrations, including the recently implemented Comprehensive Care for Joint Replacement model, which provides a single bundled payment for all care required for hip and knee replacement surgeries,⁵ and several Accountable Care models.

Commercial insurers and drug companies are likewise engaged in numerous payment initiatives to promote value and patient outcomes. For example, Express Scripts is moving forward with its Oncology Care Value Program, an indication-based pricing framework specifically for cancer care that pays for a drug based on how much evidence supports its use for a given type of cancer.^{6,7} And Harvard Pilgrim Health Care and Cigna have both launched outcomes-based pricing arrangements for certain new cholesterol drugs that pay for a drug based on how well patients fare on the treatment.^{8,9} These are just two of the value-based pricing strategies that the Demonstration will test, alongside others that include discounted or eliminated cost-sharing for high value drugs, increased feedback on prescribing patterns, and reference pricing.

We ask that CMS continue to work with stakeholders to refine these value-based pricing models, and other tools proposed by CMS, to ensure that they build on, or are complimentary to, other public and private efforts that reward innovation, reduce costs, and improve care.

Medicare beneficiaries deserve high-quality, affordable health care. We appreciate your efforts to test new ways of delivering this care so that it is available now and in the future. Prescription drug spending, especially in the Medicare Part B program, is rising rapidly, and we believe that the Demonstration offers an important opportunity to provide better value to beneficiaries. As you move toward finalizing the Demonstration, we ask that CMS consider the breadth of issues raised by stakeholders and patients to inform the final design. We believe that with refinements, the Demonstration can be an integral part of the administration's commitment to lowering health care costs and improving quality for our nation's Medicare beneficiaries.

Sincerely,



Elizabeth Warren
United States Senator



Al Franken
United States Senator

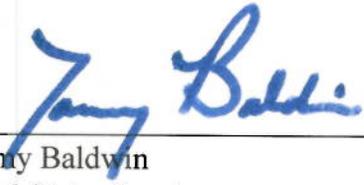
⁵ <https://innovation.cms.gov/initiatives/cjr>

⁶ <http://www.fiercepharma.com/story/express-scripts-rolls-out-value-based-pricing-cancer-meds/2015-11-19>

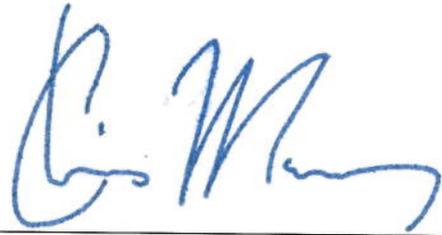
⁷ <http://lab.express-scripts.com/lab/insights/drug-options/right-drug-right-price>

⁸ <http://www.businesswire.com/news/home/20151109006090/en/Harvard-Pilgrim-Negotiates-First-In-The-Nation-Innovative-Contract>

⁹ <http://www.wsj.com/articles/health-insurers-push-to-tie-drug-prices-to-outcomes-1462939262>



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United States Senator



Christopher Murphy
United States Senator



Jack Reed
United States Senator



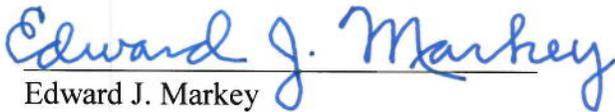
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Amy Klobuchar
United States Senator



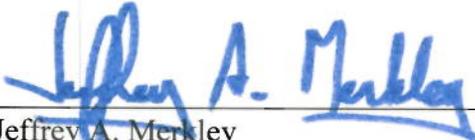
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