Abstract

Medicare Part D has benefited millions of elderly Americans who before 2006 either had no insurance coverage for prescription drugs or had limited access to prescription drugs. However, Part D has serious flaws in its design. The Medicare Modernization Act forbids government negotiation for prescription drugs and also prohibits the establishment of a standardized drug formulary or uniform price structure for reimbursement. Because individual insurers don’t have the purchasing power of the federal government, Medicare is a less efficient system with higher costs. Many beneficiaries are paying higher prices than before the program started.

Patient compliance with medication has decreased since Medicare Part D was enacted. Recent studies have demonstrated that up to 41% of low-income seniors avoid filling prescription medications owing to cost. This behavior has potentially important public health implications, including worse blood glucose control in diabetic patients and an increased risk of angina, heart attacks, and strokes among patients with cardiovascular disease. Increasing drug prices create a barrier for patients and burden CMS with unsustainable costs.

Government prescription drug negotiation has been shown to be cost effective for the VA, Department of Defense, Medicaid, and for Rural Health Initiatives. Applying the ‘best price rule’ to Medicare drug purchases would improve drug accessibility and affordability for seniors. Federal legislation is needed to permit the federal government to negotiate prices for Part D drugs and to establish a formulary.