

TECHNICAL APPENDIX: HOW WOULD SHARING REBATES AT THE POINT-OF-SALE AFFECT BENEFICIARY COST-SHARING IN MEDICARE PART D?

Appendix Table 1: Comparison of Actual Spending by Payer to Re-Processed Spending under the Standard Benefit Design by Payer, by Plan Type (2016)

Drug Benefit Type	Defined Standard Benefit		Actuarially Equivalent Standard	
	Actual	Standard Benefit	Actual	Standard Benefit
Number of Beneficiaries	60,100	60,100	2,077,626	2,077,626
Plan	\$34,410,655	\$34,292,461	\$1,876,031,274	\$1,838,561,550
Patient Out-of-Pocket	\$30,431,359	\$31,487,990	\$1,449,518,251	\$1,525,950,589
Coverage Gap Discount (Manufacturer)	\$5,407,284	\$5,408,513	\$332,419,406	\$330,427,031
Reinsurance	\$33,649,335	\$33,694,469	\$1,619,670,848	\$1,627,947,700
Low-Income Cost-Sharing (LICS) Subsidy	\$1,899	N/A	\$110,765	N/A
Reduction in Patient Liability due to Payments by Others (PLRO)	\$79,712	N/A	\$9,246,767	N/A
Other True Out-of-Pocket Spending (TrOOP)	\$903,191	N/A	\$35,889,558	N/A
Total Cost	\$104,883,433	\$104,883,433	\$5,322,886,869	\$5,322,886,869
Total TrOOP	\$36,743,732	\$36,896,503	\$1,817,937,980	\$1,856,377,620
Total Cost Above Catastrophic	\$42,061,668	\$42,118,087	\$2,024,588,561	\$2,034,934,625

Drug Benefit Type	Basic Alternative		Enhanced Alternative	
	Actual	Standard Benefit	Actual	Standard Benefit
Number of Beneficiaries	3,108,720	3,108,720	14,806,423	14,806,423
Plan	\$2,720,329,588	\$2,520,300,538	\$14,819,792,072	\$12,479,038,243
Patient Out-of-Pocket	\$1,848,103,690	\$2,158,443,861	\$8,279,187,947	\$10,643,820,729
Coverage Gap Discount (Manufacturer)	\$449,025,186	\$437,371,414	\$2,016,981,285	\$1,999,994,772
Reinsurance	\$1,965,227,805	\$1,986,776,377	\$8,733,561,016	\$8,947,090,780
Low-Income Cost-Sharing (LICS) Subsidy	\$73,690	N/A	\$157,545	N/A
Reduction in Patient Liability due to Payments by Others (PLRO)	\$10,980,636	N/A	\$65,174,351	N/A
Other True Out-of-Pocket Spending (TrOOP)	\$109,151,595	N/A	\$155,090,310	N/A
Total Cost	\$7,102,892,190	\$7,102,892,190	\$34,069,944,524	\$34,069,944,524
Total TrOOP	\$2,406,354,161	\$2,595,815,274	\$10,451,417,086	\$12,643,815,501
Total Cost Above Catastrophic	\$2,456,534,756	\$2,483,470,471	\$10,916,951,270	\$11,183,863,476

Appendix Table 2: Comparison of Estimated Rebates to Various Sources

Drug Type	Average Rebates as a Share of Total Part D Spending	
	Trustees Calculation	Study Calculation
Overall	19.9%	17.7%

Note: Trustees calculation uses 2016 Part D drug events for all beneficiaries, study uses 2016 Part D drug events for non-LIS beneficiaries.

AHFS Drug Class	Total Brand Name Drug Rebate (Billions)		Total Brand Name Drug Cost (Billions)		Rebate %	
	CMS Calculation	Study Calculation	CMS Calculation	Study Calculation	CMS Calculation	Study Calculation
Cardiovascular Drugs	\$2.87	\$1.83	\$10.89	\$6.05	26.3%	30.2%
Central Nervous System Agents	\$1.96	\$1.84	\$15.04	\$9.90	13.0%	18.5%
Hormones and Synthetic Substitutes	\$5.13	\$4.10	\$20.53	\$14.93	25.0%	27.4%
Miscellaneous Therapeutic Agents	\$1.18	\$1.64	\$12.65	\$8.88	9.3%	18.5%
All Other Classes	\$7.12	\$8.97	\$46.84	\$42.48	15.2%	21.1%

Note: CMS calculation uses 2014 Part D drug events for all beneficiaries, study uses 2016 Part D drug events for non-LIS beneficiaries.

Drug Type	Average Net Price per Prescription		Manufacturer Rebates as Share of Prices	
	CBO Calculation	Study Calculation	CBO Calculation	Study Calculation
Brand-Name Non-Specialty	\$165	\$191	28.4%	27.5%
Brand-Name Specialty	\$3,590	\$2,644	10.5%	12.6%

Note: CBO calculations use 2015 Part D drug events for all beneficiaries, study uses 2016 Part D drug events for non-LIS beneficiaries. Study calculation represents rebates after adjustments described in the text.