

The following chart reflects WHG’s analysis of the Lower Drug Costs Now Act (H.R. 3) introduced by House Speaker Nancy Pelosi (D-CA) and House Democrats and key provisions of relevant proposals<sup>1</sup>: the Prescription Drug Pricing Reduction Act of 2019, advanced by the Senate Finance Committee (19-9) in July<sup>2</sup>; and the Advanced Notice of Proposed Rulemaking (ANPRM): Medicare Program; International Pricing Index Model for Medicare Part B Drugs, issued by the Centers for Medicare and Medicaid Services (CMS) last October.<sup>3</sup>

## I. DRUG PRICE NEGOTIATION

	Lower Drug Costs Now Act (H.R. 3)	ANPRM: Medicare Program; International Pricing Index Model for Medicare Part B Drugs
<b>Covered Drugs</b>	<p>250 high-cost brand drugs with no generic or biosimilar competitor.</p> <p>New brand drugs with no generic or biosimilar competitor with a launch prices in excess of the median household income.</p> <p>The HHS Secretary would negotiate the price for at least 25 drugs annually beginning in 2023, at least 30 drugs in 2028, and at least 35 drugs beginning after 2032. Selected drugs would retain negotiated prices until two generic or biosimilar products are available.</p>	<p>In years 1 and 2, single source or biologicals (including biosimilars) that are administered incident to a physician service.</p> <p>In years 3, 4 and 5, more single source drugs and biologicals as more sources of international pricing data become available.</p>
<b>Payment Determination and Selected Countries</b>	Sets an upper limit price in negotiations at 1.2 times the volume-weighted average of the price in Australia, Canada, France, Germany, Japan and the United Kingdom.	Uses a blend of Average Sales Price (ASP) and a target price based on an international price index, which calculates an average price of a drug using data from Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, and the United Kingdom.
<b>Participation and Penalties</b>	Manufacturers who decline to negotiate after being selected will be assessed an escalating excise tax on the manufacturers’ annual gross sales. The excise tax would begin at 65 percent and increase by 10 percent quarterly until the manufacturer is compliant and caps out at 95 percent.	Physicians and hospital outpatient departments would participate if they furnish selected Part B drugs in the designated geographic areas. Their participation would be mandatory
<b>Application</b>	Applies negotiated prices to Medicare and allows flexibility for Medicare Advantage and Medicare Part D to use tools to negotiate even lower prices.	Applies to Medicare Part B only.

<sup>1</sup> <https://docs.house.gov/meetings/IF/IF14/20190925/110024/BILLS-1163ih.pdf>

<sup>2</sup> <https://www.finance.senate.gov/hearings/open-executive-session-to-consider-an-original-bill-entitled-the-prescription-drug-pricing-reduction-act-of-2019>

<sup>3</sup> <https://www.federalregister.gov/documents/2018/10/30/2018-23688/medicare-program-international-pricing-index-model-for-medicare-part-b-drugs>

	<b>Lower Drug Costs Now Act (H.R. 3)</b>	<b>ANPRM: Medicare Program; International Pricing Index Model for Medicare Part B Drugs</b>
	Requires manufacturers to offer negotiated prices in the commercial market and individual and group plans can choose whether to accept those rates.	

## II. MEDICARE PART B & D INFLATION REBATES

	<b>Lower Drug Costs Now Act (H.R. 3)</b>	<b>Prescription Drug Pricing Reduction Act of 2019</b>
<b>Inflation Rebates</b>	Requires manufacturers to pay a rebate to the Department of Treasury for the amount that they raised the prices of Medicare Part B or D drugs above the rate of inflation since 2016.	Requires manufacturers to pay a rebate to Medicare for the amount that their Medicare Part B or D drugs increased above the rate of inflation.

## III. MEDICARE PART D REDESIGN

	<b>Lower Drug Costs Now Act (H.R. 3)</b>	<b>Prescription Drug Pricing Reduction Act of 2019</b>
<b>Annual Out-of-Pocket Cap</b>	Limits spending to \$2,000 beginning in 2022.	Limits spending to \$3,100 beginning in 2022, indexed to the growth in Part D spending.
<b>Reinsurance in the Catastrophic Phase</b>	<p>Lowers federal reinsurance to 20 percent, increases insurers' share to 50 percent, and requires manufacturers to pay 30 percent.</p> <p>Manufacturers would also be required to pay 10 percent of costs in the initial coverage phase.</p>	<p>Lowers federal reinsurance for brand drugs to 60 percent in 2022, 40 percent in 2023, and 20 percent in 2024 and subsequent years.</p> <p>Lowers federal reinsurance for generic drugs to 60 percent in 2023 and 40 percent in 2024 and subsequent years.</p> <p>Increases insurers' share for brand and generic drugs to 20 percent in 2022, 40 percent in 2023, and 60 percent in 2024 and subsequent years.</p> <p>Requires manufacturers to pay 20 percent for brand drugs beginning in 2022.</p>