

## CAPE COD MUNICIPAL HEALTH GROUP

### Why are the Medicare Plan Rates Increasing so much for 2017?

There are 2 major reasons:

Increasing pharmacy costs and reduced payments by the government to certain Medicare plans

1. **There is a steep increase in pharmacy cost trend.** Since prescription drug costs make up about 50% or more of the Senior plan costs, this is impacting the rates. Many health plans are experiencing 18-20% increases in pharmacy cost trend. Since medical costs are not increasing by much, it is likely that pharmacy costs will soon represent well over 50% of total Senior plan costs. **Why are prescription drugs so expensive?** There are a number of reasons....
  - The United States is the only country in the world that does not regulate prescription drug (Rx) pricing. This means that pharmaceutical companies can charge whatever they want. Since other countries regulate Rx prices and negotiate with pharmaceutical companies, the US ends up paying for most or all of the research and development costs of drugs made in the US but sold worldwide.
  - The price of most if not all generic drugs has risen as the large pharmaceutical companies have purchased most of the independent generic medication manufacturing companies. In fact, this is the reason that some generics have been moved to a higher co-pay tier for 2017.
  - Many new high cost specialty drugs are entering the market. These drugs are very helpful to the people who need them, but they are *very* costly.
  - The United States and New Zealand are the only developed nations that allow direct-to-consumer advertising by drug companies. Direct-to-consumer advertising leads to greater utilization of prescription drugs. If you watch TV, you can't help but see many commercials from drug manufacturers urging you to, "Ask your doctor if XXXX is right for you!"
2. **Medicare Advantage plan – reduction of government support.** The federal government, through the Center for Medicare and Medicaid Services (CMS), has reduced funding to the Medicare Part C plans known as Medicare Advantage plans like *Medicare HMO Blue* and *Tufts Medicare Preferred HMO*. Tufts Health Plan claims that the revenue reduction from CMS is increasing the cost of their Medicare HMO by over \$19 per month. Some of the money that would otherwise have been going to the Medicare Part C plans is being directed to funding parts of the Affordable Care Act.