

United States Senate

WASHINGTON, DC 20510

July 18, 2018

The Honorable Alex M. Azar II, Secretary
U.S. Department of Health and Human Services
200 Independence Ave, SW
Room 600E
Washington, DC 20201

Dear Secretary Azar:

We write to urge the Department of Health and Human Services to move forward with a proposal to meaningfully address skyrocketing drug prices by specifically addressing pharmacy direct and indirect remuneration (DIR) fees in the Medicare Part D program.

DIR fees imposed on pharmacies participating in Medicare Part D networks by plan sponsors and their pharmacy benefit managers (PBMs) have exploded in recent years and have had a crippling impact on patients, Medicare, and pharmacies. The retroactive nature of these fees means beneficiaries face higher cost-sharing for drugs and are accelerated into the coverage gap (or “donut hole”) phase of their benefit. What’s more, beneficiaries more quickly reach the catastrophic phase of the benefit, for which Medicare incurs more of the cost of the drugs. Finally, all retroactive pharmacy DIR fees are taken back from pharmacies months later rather than deducted from claims on a real-time basis. This reimbursement uncertainty makes it extremely difficult for pharmacies to operate and provide high-quality care to their patients.

Just this spring, the Centers for Medicare and Medicaid Services (CMS) collected information on including at least a portion of manufacturer rebates and all pharmacy price concessions like DIR in the negotiated price at point of sale, thereby lowering seniors’ out-of-pocket costs at the pharmacy counter. CMS asserted its authority to address DIR through regulation but did not release any specific plan to do so. In HHS’ blueprint on addressing drug prices, the Administration suggests a number of actions to reduce drug prices in Medicare but does not propose adopting its own proposal on addressing DIR. We ask this Administration to require the reporting of all pharmacy price concessions in the negotiated price at the point of sale. The administration has considered this type of policy several times over the past years, and the time to move forward is now.

In conclusion, we urge you to address retroactive pharmacy DIR fees in the Medicare Part D program to provide transparency that would benefit seniors and provide immediate savings at the pharmacy counter. We appreciate your consideration of this matter and look forward to hearing back from you.


Sincerely,



Shelley Moore Capito
United States Senator



Jon Tester
United States Senator



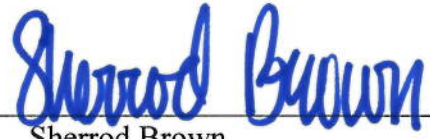
Chuck Grassley
United States Senator




Maria Cantwell
United States Senator



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United States Senator



Sherrod Brown
United States Senator



John Thune
United States Senator



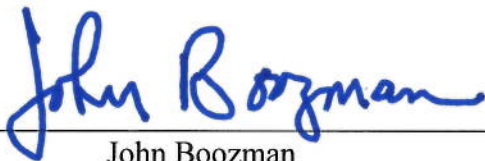
Joe Manchin III
United States Senator



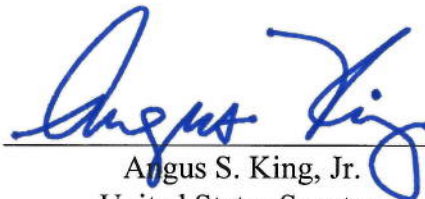
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United States Senator



Heidi Heitkamp
United States Senator



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United States Senator



Angus S. King, Jr.
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United States Senator