

Press Release



The Impact of Shifting Drug Manufacturer Rebates to the Catastrophic Phase of Part D Insurance

ANDREW EVANS | JUNE 11, 2019

Congress could make changes this year to the drug-rebate regime in Medicare Part D. Manufacturers currently provide a mandatory rebate in the so-called “coverage gap,” and shifting those rebates to the final “catastrophic” phase of coverage would provide several benefits, argues AAF’s Deputy Director of Health Care Policy Tara O’Neill Hayes. In a new study, she examines how making this change would affect the volume of rebates, the kinds of drugs that would require the largest rebates, and the incentives for price inflation.

Her key points:

- Under current law, the maximum rebate amount required of manufacturers for a given drug in 2020 is \$3,698, regardless of the drug’s cost, and the majority of mandatory rebates are paid for drugs that cost \$480-\$580;
- If manufacturers were instead required to pay a rebate in the catastrophic phase, a much greater share of the rebates paid would be for the most expensive drugs; and
- This reform would result in the mandatory rebate amount increasing with the drug’s price, which would provide an incentive against price inflation — an incentive the current system lacks.

[Read the study.](#)