Fast Facts about the Medicare Part D Program

Begun in 2006, Part D is Medicare’s program that provides outpatient prescription drug coverage to seniors and disabled individuals, including extra help to low income persons.

- **Part D Is a Small Fraction of Medicare Spending:** Part D, including brand and generic drugs and pharmacy costs, will represent just 10 percent of Medicare spending in 2013, according to CBO figures. \[i\] Brand medicines account for only “about 8 percent of total federal payments for healthcare,” according to Avalere.\[ii\]

- **Part D Spending Is Far below Projections:** Part D is now estimated to cost $348 billion (45%) less than projected for the initial 2004-2013 forecast period, according to CBO data.\[iii\] CBO has continued reducing its Part D cost projection as the program gained experience; its 10-year projection was reduced by over $100 billion in each of the last three years.\[iv\]

- **Part D Beneficiary Premiums Are Half the Projected Amount; Stable in the Past Four Years:** The average monthly beneficiary premium will be about $31 in 2014, less than half of the $64 forecast originally, according to CMS figures.\[v\] Average premiums have been stable over the past four years.

- **Part D Drug Costs Are Growing Slowly:** A 2013 CBO analysis found that Part D drug costs “increased by just 1.8 percent per year per beneficiary, growing more slowly than total per capita drug costs.”\[vi\]

- **Average Drug Prices in Part D Barely Changed:** A 2013 MedPAC analysis shows that the average price for prescribed drugs purchased through Part D increased by a total of just 2 percent over the program’s first five years.\[vii\] This measure is from a price index reflecting the mix of brand and generic drugs used by beneficiaries.

- **Part D Plans Negotiate Rebates Paid by Manufacturers:** The Medicare Trustees report that “many brand-name prescription drugs carry substantial “rebates”, often as much as 20-30 percent,”\[viii\] and that on average, across all program spending, rebate levels have increased in each year of the program.\[ix\] CBO has found that Part D plans “have secured rebates somewhat larger than the average rebates observed in commercial health plans.”\[x\]

- **Part D Reduces Spending on Other Medicare Services:** Harvard researchers report that implementation of Part D was followed by a $1,200 decrease in nondrug medical spending among those who previously had limited drug coverage — an overall savings of about $13 billion in 2007, the first full year of the program.\[xi\]
• **CBO Recognizes Medicines Help Save on Other Medicare Costs:** Citing a “substantial body of evidence,” CBO recently announced a major change to its cost estimating methodology that will credit policies that increase use of prescription medicines in Medicare with savings on other medical costs. [xv]

• **Part D Enrollees Are Satisfied:** According to MedPAC, 94 percent of Part D enrollees are satisfied with their coverage, and 95 percent say they are confident that the level of coverage meets their needs. [xvi]

• **Part D Enrollees Are Making Good Choices:** Researchers at Cornell and Arizona State found that Part D enrollees who stood to save the most by switching plans were most likely to do so. [xv] Enrollees paying premiums who switched plans reduced their average annual out-of-pocket costs by almost $300. [xvii]

• **Many Veterans also Choose Part D:** A 2012 survey of VA enrollees shows that roughly 3.3 million veterans—42 percent of VA enrollees—have supplemented their VA drug coverage with Part D or private insurance. Over one-third of VA enrollees who qualify for Medicare chose to enroll in Part D. [xviii]

• **Researchers Conclude Part D Made Beneficiaries Better Off in Several Ways:** A recent summary of peer-reviewed research on Part D concluded that “since the implementation of Medicare Part D in the United States, the program has been reported to improve quality, offer better beneficiary protections, and lower drug costs.” [xix] Moreover, they find, “Medicare Part D has been associated with increased medication utilization, reduced out-of-pocket expenditures, and an overall decrease in cost-related non-adherence and nonpersistence.” [xx]

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[i] CBO, May 2013 Medicare Baseline Spending Forecast. Calculated as the share of Part D spending in components of Mandatory Outlays.


[xvii] Lau DT, Stubbings J.Clin Ther. “Medicare Part D Research and Policy Highlights, 2012: Impact and Insights.” 2012 Apr;34(4):904-14. Additionally, researchers have found positive effects for beneficiaries with specific conditions, for example, heart disease, mental illness, and diabetes, See, e.g. Donohue JM, The Medicare Drug Benefit (Part D) and Treatment of Heart Failure in Older