

# The Reduced Costs and Continued Cures Act

Offered by Reps. Peters & Schrader

*Comprised of policies that lower drug costs, preserve innovation, and have bipartisan support.*

- 1. For the first time, establishes a cap on seniors' out-of-pocket drug costs and reduces drug costs at the pharmacy counter.**
  - Provides the most generous benefits to the poorest by capping Medicare recipients' out-of-pocket costs for prescription drugs, such as that those with incomes:
    - 300% or less of the Federal Poverty Level have a \$1200 annual out-of-pocket cap;
    - 300-400% of the Federal Poverty Level have a \$1800 annual out-of-pocket cap; and
    - above 400% of the Federal Poverty Level have a \$3100 annual out-of-pocket cap.
  - Includes a "smoothing" mechanism that minimizes the impact of prescription drug costs on seniors with fixed incomes by ensuring those with expensive annual drug costs can pay their out-of-pocket expenses throughout the calendar year via monthly installments.
    - Ex. A senior who reached their \$1200 annual out-of-pocket cap is eligible the following year to "smooth" out their costs by making 12 monthly payments of \$100 instead of paying all at once.
  - Establishes a \$50 per month out-of-pocket maximum for insulin.
  - Bases beneficiary cost-sharing at the pharmacy counter on the net (or post-rebate) price of a drug rather than the original list price.
  - Penalizes manufacturers that raise the price of a drug beyond the inflation rate for drugs in Medicare Part B and D, recouping price increases above inflation going back to 2016.
  - Allows Medicare to negotiate drug prices in Part B for products that no longer have exclusivity and for which there is no competition on the market. The Secretary of the Department of Health and Human Services (HHS) can enter negotiations with manufacturers of these products that we have seen to be extraordinarily expensive over the last decade to secure price concessions of between 25 and 35%.
- 2. Addresses loopholes in the health care system by requiring transparency and increasing insurer responsibility for the high cost of drugs.**
  - Establishes reporting requirements for Pharmacy Benefit Managers (PBMs) — the corporate middlemen between prescription drug manufacturers and payors — so that employers know the true cost of prescription drugs and ensure price concessions are passed on to consumers.
  - Requires drug manufacturers to publicly explain significant year-over-year drug price increases and exceptionally high launch prices.
  - Shares the government's current financial responsibility with insurers and manufacturers, saving Medicare billions that can be used to extend the life of the program.
- 3. Preserves innovation, promotes more low-cost options for patients by bolstering competition in the marketplace, and curbs gaming of the system by drug companies.**
  - Stops "pay for delay" agreements in which the brand-name drug manufacturer pays the generic manufacturer to keep a generic equivalent off the market.
  - Ends the practice of manufacturers taking advantage of exclusivity laws and "blocking" generic drug applications, allowing cost-saving generic drugs to come to market sooner.
  - Empowers the Federal Trade Commission (FTC) to prevent "product-hopping," an anti-competitive practice that companies use to extend their exclusivity on an expiring patent by switching patients to a "new" version of the drug, perpetuating market monopolies and keeping generics from coming to market.
  - Promotes competition by limiting patent thickets, patents filed with the sole intent to prevent competition, patents filed late, invalidated patents, or patents identical to existing patent claims.