

Medicare negotiation could save businesses \$195 billion and workers another \$98 billion

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As Congress considers legislation to reform prescription drug pricing, a new analysis conducted by the West Health Policy Center and released by its Council for Informed Drug Spending Analysis (CIDSA) estimates that the Elijah E. Cummings Lower Drug Costs Now Act (H.R. 3) could result in hundreds of billions of dollars in lower commercial health insurance costs by 2030. These savings would come from a \$195 billion reduction in employer costs and \$98 billion in savings for workers.

The non-profit, non-partisan West Health Policy Center engaged the actuarial firm Milliman, to analyze the impact of the legislation on stakeholders. Using Milliman's analysis and other data sources West Health Policy Center researchers then quantified the dollar impact on employee and [employer costs](#).

H.R. 3 would empower the Secretary of Health and Human Services to directly negotiate [prices](#) with [drug](#) manufacturers and make those same negotiated prices available to all Americans with private insurance. While the Congressional Budget

Office has estimated the impact of H.R. 3 on federal direct spending, CBO has yet to estimate its effect on private [health](#) plans. The West Health Policy Center analysis is the first-of-its-kind to do so.

"For decades, American businesses have struggled to keep pace with ballooning prescription drug costs, and have had zero recourse to bring down prices," said Tim Lash, President of the West Health Policy Center. "For American employers to remain competitive, the market failures that have allowed drug costs to increase without interference must be addressed. It appears that H.R. 3 and the considerable savings the legislation could generate might very well be the solution we've been waiting for."

The price of prescription medications has skyrocketed in recent years. Between 2007 and 2018, list prices for branded pharmaceutical products increased by 159% and there are few signs of it slowing. According to the Centers for Medicare & Medicaid Services (CMS), spending on prescription drugs will grow faster than any other major medical good or service over the next several years.

Meanwhile, rising healthcare costs continue to be a top concern for American business. A recent study of executives at large employers found that 87% believe that the cost of providing [health benefits](#) to their employees will be unsustainable in 5 to 10 years, and 7 in 10 large employers agree that the government needs to negotiate prices for high-cost drugs and limit drug price increases.

"The savings from Medicare negotiation are not confined to federal spending or Medicare beneficiaries—businesses and workers alike stand to reap enormous benefits under the [policy](#)," said Sean Dickson, Director of Health Policy at the West Health Policy Center and CIDSA Chair, who conducted this analysis. "Employers are understandably frustrated with the limitations and

failures of market approaches to constrain drug prices; they are increasingly open to federal interventions that will reduce their costs and increase their workers' take home pay."

Based on West Health Policy Center's analysis drug manufacturers would increase prices greater than current trends to make up for reduced profits under Medicare negotiation. Under this conservative assumption, employer-sponsored insurance savings would be allocated between \$195 billion in lower employer premium costs, \$53 billion in employee premium reductions, and \$8 billion in lower employee cost-sharing. Workers covered under the Affordable Care Act would see another \$36 billion in savings.

"There is no losing here. Even under the [worst-case scenario](#), employers still come out ahead hundreds of billions of dollars and employees could expect greater take home pay," concluded Dickson.

To estimate dollar savings for individuals and employers from Milliman's overall savings estimates, West Health Policy Center used data from National Health Expenditures (NHE), the Kaiser Family Foundation Employer Health Benefits Survey (EHBS), and the Medical Expenditure Panel Survey (MEPS). The full dollar value assessment and methodology by West Health can be found [here](#). Milliman's full assessment and white paper can be found [here](#).

More information:

www.cidsa.org/publications/com...otiation-under-h-r-3

Provided by West Health Institute

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