

Forum Session

NATIONAL
HEALTH
POLICY
FORUM

Designing a Medicare Prescription Drug Benefit: Safety and Structure Considerations

Friday, March 31, 2000

11:45 am to 2:30 pm - Luncheon and Discussion

Congressional Hall of Honor, Fifth Floor

Reserve Officers Association of the United States

One Constitution Avenue, N.E.

(Across from the Dirksen Senate Office Building)

A discussion featuring

Richard G. Frank, Ph.D.

Margaret T. Morris Professor
Department of Health Care Policy
Harvard Medical School

Lee N. Newcomer, M.D.

*Senior Vice President, Health Policy
and Strategy*
UnitedHealth Group

Patricia M. Danzon, Ph.D.

Celia Moh Professor
Wharton School
University of Pennsylvania

Registration: Please call **Dagny Wolf** at 202/872-1392 as soon as possible.

The
George
Washington
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WASHINGTON DC

Designing a Medicare Prescription Drug Benefit

Drawing on *Health Affairs'* March/April 2000 thematic issue on prescription drugs, Medicare, and managed care, the Forum will highlight the work of three contributors who looked at issues related to the design of a Medicare outpatient prescription drug benefit. The first two speakers will focus on how differing pharmacy benefit manager (PBM) models might operate and function should such a benefit become reality. Details raised by the authors include structuring competition among PBMs, defining rules for specifying formularies, using reference pricing to set reimbursement levels, and determining the degree of risk PBMs face and the terms under which networks of retail and mail-order pharmacies will be constructed. Also raised will be the advantages, disadvantages, and unintended consequences of various approaches.

Medicare coverage of drugs would provide more beneficiaries with greater access to pharmaceutical products. As many observers have pointed out, however, more prescriptions carry the potential for more risk. While pharmaceuticals are a significant component of medical care for seniors, prescription-related illness and death have become a major source of concern, particularly for the elderly, many of whom take multiple medications, thus increasing their risk of medication errors and adverse reactions. The third speaker raises the issue of medication error and patient safety and posits the need for federal intervention.

Richard G. Frank, Ph.D., the Margaret T. Morris Professor of Health Economics in the Department of Health Care Policy at Harvard Medical School and one of the authors of "The Medicare Prescription Drug Benefit: How Will The Game Be Played?" will present a "nuts-and-bolts proposal for using competition and pharmacy benefit managers to contain drug costs and promote quality." Lead author Haiden A. Huskamp, Frank, and colleagues write:

We focus on the institutional framework within which PBMs will function—or how the 'game' will be played. We do, however, have a point of view about the appropriate framework. Because we are all economists, our view not surprisingly emphasizes the use of competition among PBMs, drug manufacturers, and pharmacy distributors to promote efficiency. We also consider the structure of formularies, the role of government, and the use of financial incentives.

In response to the Huskamp article—whose authors favor competition for a single PBM contract for traditional Medicare in a given local market, rather than competition for enrollees—**Patricia M. Danzon, Ph.D.**, the Celia Moh Professor in the Health Care Department of the Wharton School, University of Pennsylvania, poses the question, "Rather than adopting a regulated-monopoly approach to PBMs, why not try a competitive model first?" Her "Perspective" piece, entitled "Pharmaceutical Benefit Management: An Alternative Approach," delineates some of what she refers to as the unintended consequences of monopoly Medicare PBMs and offers an alternative approach, the competing-PBM model "which would offer seniors a choice between alternative, approved PBMs, analogous to alternative, qualifying plans under Medicare+Choice."

The third speaker, **Lee Newcomer, M.D.**, senior vice president of health policy and strategy of UnitedHealth Group, will explain why he believes Congress should consider ensuring patient safety and reducing medication errors before expanding coverage of outpatient drugs for Medicare beneficiaries. Newcomer concludes his "Perspective" piece, entitled "Medicare Pharmacy Coverage: Ensuring Safety Before Funding," with the following:

Prescribing errors kill more people than automobile accidents, work injuries, or airline crashes. The same government regulates the safety of medications before

FORUM SESSION

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they are released to the public but does not ensure that they are prescribed safely after release. It is irresponsible for Medicare policymakers to increase access to a flawed system without addressing the issues of safety.

Reprints of the three papers are enclosed.