



July 20, 2018

Honorable Mark Meadows
U.S. House of Representatives
Washington, DC 20515

Re: CBO's Estimates of the Effects of Changes in the Manufacturers' Discount in the Part D Coverage Gap

Dear Congressman:

In a July 2, 2018, letter, you asked about the Congressional Budget Office's cost estimate for a provision of the Bipartisan Budget Act of 2018 (P.L. 115-123), which was enacted on February 9, 2018. I hope this letter answers your questions and addresses any continuing concerns you may have about this subject.

Background

Section 53116 of the Bipartisan Budget Act requires manufacturers of brand-name prescription drugs to increase from 50 percent to 70 percent the discount provided to certain Medicare Part D beneficiaries when those enrollees' spending on brand-name prescriptions falls within a range called the coverage gap (sometimes referred to as the donut hole). When Part D was implemented, such beneficiaries who were not enrolled in the low-income subsidy (LIS) program were responsible for 100 percent of the cost of their prescriptions in that range of spending during a given year. (The law was changed in 2010 to require manufacturers of brand-name prescription drugs to provide a 50 percent discount to non-LIS beneficiaries.)

CBO's Estimate

When the Bipartisan Budget Act was being considered, CBO estimated that section 53116 would reduce net Medicare spending for Part D by \$7.7 billion over the 2018–2027 period.¹ To develop that estimate, CBO consulted extensively with

¹ In the table that CBO produced at that time, that effect was combined with estimated savings for section 53113 (which modified payment rules for biosimilar drugs), resulting in a combined estimate of \$10.1 billion in federal savings over the 2018–2027 period. See Congressional Budget Office, "Estimated Direct Spending and Revenue Effects of Division E of Senate Amendment 1930, the Bipartisan Budget Act of 2018" (February 8, 2018), www.cbo.gov/publication/53557.

experts at the Centers for Medicare & Medicaid Services (CMS) and reviewed information posted on CMS's website pertaining to the Part D program.² CBO developed its estimate for the coverage gap provision on the basis of the best information it had at the time.

Shortly after the Bipartisan Budget Act was enacted, CBO learned of data on prescription drug discounts in the coverage gap that had been available when the estimate was prepared but stored in an unexpected place—grouped with information about the Medicare Advantage program.³ When CBO learned of and reviewed that information, the agency determined that the data indicated a different estimate for section 53116. CBO contacted and disclosed that fact to staff of the House and Senate Committees on the Budget, the authorizing committees of jurisdiction, and leadership offices. The agency also consulted with staff of the budget committees about how to include the effects of that new information in any future estimates.

Ultimately, however, the Congress did not pursue further legislation pertaining to the coverage gap, and CBO does not continuously update estimates of legislation that has already been enacted. As a result, the April 2018 update of CBO's baseline projections provided the first opportunity for the agency to publish projections that reflected the insights obtained from those administrative data on the coverage gap discount program.⁴ CBO's current baseline incorporates an estimate that, compared with prior law, section 53116 will reduce net Medicare spending for Part D by \$11.8 billion over the 2018–2027 period, a 1 percent change in such spending over that period.

Answers to Specific Questions

In your letter, you asked, *Why did CBO not disclose its scoring error regarding the Part D provision in Section 53116 of the Bipartisan Budget Act (BBA) until prompted to do so by a question for the record from Senate Budget Committee Chairman Mike Enzi?* CBO did disclose, before receiving Senator Enzi's question for the record, that it was aware of new information that would have changed its estimate—reporting that fact to staff members of the budget committees, the authorizing committees of jurisdiction, and the leadership offices.

² Specifically, CBO reviewed information in the relevant subdirectories under Centers for Medicare & Medicaid Services, "Research, Statistics, Data and Systems" (accessed most recently on July 20, 2018), <https://go.usa.gov/xUk4k>, and in the six subdirectories under Centers for Medicare & Medicaid Services, "Medicare: Prescription Drug Coverage" (accessed most recently on July 20, 2018), www.cms.gov/Medicare/Medicare.html.

³ See Centers for Medicare & Medicaid Services, "Coverage Gap Discount Program" (accessed most recently on July 20, 2018), www.cms.gov/Medicare/Medicare-Advantage/Plan-Payment/CGDP.html.

⁴ See Congressional Budget Office, *The Budget and Economic Outlook: 2018 to 2028* (April 2018), www.cbo.gov/publication/53651.

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You also asked, *Did the Section 53116 scoring error come in part from a failure of CBO staff to consult material that had been publicly available for many months previously at the time of BBA's consideration?* Yes. In the time leading up to its estimate for section 53116, CBO worked closely with CMS staff members to gather information, and reviewed data on the CMS website, but it did not become aware of administrative data about the amount of the discounts provided under the coverage gap discount program until after the estimate was published. Had CBO been aware of that information at the time, the estimate would have been different. CBO is redoubling its efforts to ensure that analysts' searches for available data are as thorough as possible in the time available and that those searches include consultations with parties who might know of relevant data, some of which could be stored in unexpected places.

I hope you find this information useful. I would welcome the opportunity to discuss with you in person these questions and others that may concern you.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Hall". The signature is fluid and cursive, with the first name "Keith" and last name "Hall" clearly distinguishable.

Keith Hall
Director

cc: Honorable Steve Womack
Chairman
House Committee on the Budget

Honorable John Yarmuth
Ranking Member
House Committee on the Budget