

Congress of the United States

Washington, DC 20515

August 5, 2024

The Honorable Gene Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street NW Washington, D.C. 20548

Dear Comptroller General Dodaro:

We write to request that the Government Accountability Office (GAO) conduct an expedited review of the Part D Premium Stabilization Demonstration, as announced by the Centers for Medicare & Medicaid Services (CMS) on July 29, 2024.¹ In response to the Inflation Reduction Act's (IRA) problematic design features and rushed legislative process, the proposed demonstration employs arbitrary policy levers to achieve short-term objectives. The initiative lacks any budgetary analysis, clear statutory basis, or credible research goals. The integrity of the Medicare program and the taxpayer dollars that finance its benefits demand more than partisan aspirations to justify extra-statutory, eleventh-hour policy changes.

Prior to the IRA's enactment, numerous policymakers, economists, and patient advocates warned of the law's potential for triggering harmful consequences, including cost hikes for seniors and working families.² Since the implementation of the IRA's drug pricing measures began, seniors have experienced reduced choices and increased medication coverage costs.

Medicare beneficiaries have seen a significant decrease in the number of plan options available, with prescription drug plan (PDP) offerings declining by 25 percent since 2020.³ Certain large insurers have announced their intent to exit the PDP market segment entirely.⁴ For the plan options that remain, seniors face substantial premium increases.⁵ Next year, as IRA implementation continues to progress, these financial effects will become all the more drastic, with a slated year-over-year National Average Monthly Bid Amount hike of nearly 180 percent.⁶ Underscoring the law's market distortions and disruptions, 11 of the 14 national PDPs have already seen a reduction in non-low-income subsidy enrollment since 2023.

These trends warrant careful examination by Congress. Like many other aspects of the IRA, the law's restructuring of Part D has arguably undermined competitive dynamics and constrained

¹ <https://www.cms.gov/files/document/july-29-2024-parts-c-d-announcement.pdf>

² https://www.finance.senate.gov/imo/media/doc/finance_republicans_on_government_price_controls.pdf

³ <https://www.kff.org/medicare/issue-brief/medicare-part-d-in-2024-a-first-look-at-prescription-drug-plan-availability-premiums-and-cost-sharing/>

⁴ <https://www.bluekc.com/press-release/blue-kc-to-exit-medicare-advantage-market-in-2025/>

⁵ <https://www.kff.org/medicare/issue-brief/key-facts-about-medicare-part-d-enrollment-premiums-and-cost-sharing-in-2024/>

⁶ <https://www.cms.gov/newsroom/fact-sheets/cms-releases-2025-medicare-part-d-bid-information-and-announces-premium-stabilization-demonstration>

seniors' choices. That said, the policies advanced through the recently announced demonstration would simply shift costs from plan sponsors and enrollees to taxpayers, obscuring the law's impacts without addressing their underlying drivers. Moreover, consideration of these types of programmatic changes should fall within the purview of the legislative branch. Instead, however, this agency action seeks to sidestep Congress, waiving statutory directives under the guise of a "demonstration project," with no meaningful research aims, budgetary assessments, or empirical rigor.

Our committees have worked on a bipartisan basis, through regular order, to advance policies intended to improve prescription drug access and affordability. The Part D program should serve the needs of all seniors, and high out-of-pocket costs and premiums present barriers for far too many Americans. These challenges require durable solutions that comport with existing procedures, authorities, and laws.

With these considerations in mind, we request that GAO's review of the demonstration addresses the following questions:

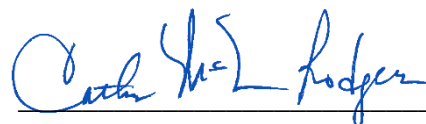
- Is the Part D Premium Stabilization Demonstration consistent with the legal authority specified under section 402(a)(1)(A) of the Social Security Amendments of 1967, as amended and applied to Part D?
- What budgetary analysis did CMS undertake in developing the demonstration, and what is the estimated budgetary impact of the demonstration?
- As GAO has noted in the past, "[the Office of Management and Budget (OMB)] generally does require [section 402(a)(1)(A)] demonstrations to be budget neutral."⁷ Does this demonstration conform to the principles of budget neutrality, and if not, why has OMB not applied its general budget-neutrality requirements in this case?
- How does this demonstration compare to previous demonstrations implemented under section 402(a)(1)(A) in terms of size, scope, and budgetary impact?
- How does the timeline for participation in the demonstration compare to previous timelines for opting in to demonstrations previously implemented under 402(a)(1)(A)?
- To what extent will the design of the demonstration enable CMS to achieve its stated research goals?

If you have questions about this request, please contact Conor Sheehey of the Senate Finance Committee staff, Preston Bell of the House Ways and Means Committee staff, and Jay Gulshen of the House Energy and Commerce Committee staff.

Sincerely,

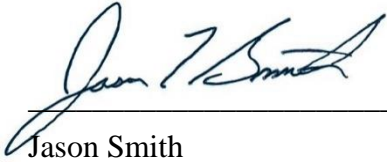


Mike Crapo
Ranking Member
Committee on Finance



Cathy McMorris Rodgers
Chair
Committee on Energy and Commerce

⁷ <https://www.gao.gov/assets/gao-12-409r.pdf>

A handwritten signature in black ink, appearing to read "Jason Smith", is positioned above a horizontal line.

Jason Smith
Chairman
Committee on Ways and Means