

Health Policy Update – August 30, 2018

CMS Releases New Guidance on Indication-Based Formulary Design for Medicare Part D Plans

Yesterday, the Centers for Medicare and Medicaid Services (CMS) announced their decision to give Part D plans the ability to negotiate formulary coverage based on specific indications, beginning January 1, 2020.

This action is the next step in the Administration's "American Patients First" drug pricing blueprint to reduce prescription drug prices through better negotiation. The Administration claims that this action will increase the number of drugs available on formularies and promote diversity of formularies.

McKesson Specialty Health will continue to examine the impact of this announcement and work with CMS to ensure patients maintain access to appropriate treatment. Please see the high-level summary below:

- Existing CMS policy requires that if a Part D plan includes a particular drug on its formulary, the plan must cover that drug for every indication approved by the FDA
- New guidance would allow Part D plan sponsors to tailor which drugs are on their formulary by specific indications
- If a plan chooses to tailor on-formulary coverage of drugs to specific indications, it must ensure there is another therapeutically-similar drug on the formulary for the non-covered indication
- Requests for coverage of a drug for a specific indication will be treated similar to any other formulary exception request for an off-formulary drug
- If a plan decides to implement indication-based formulary design, it must be disclosed to beneficiaries in the plan's annual Notice of Change and Evidence of Coverage documents
- CMS will also include this information in the 2020 Medicare & You handbook and the online tool that beneficiaries use when selecting a Part D plan

To read the press release from CMS, [CLICK HERE](#).

To read the fact sheet, [CLICK HERE](#).

To read the memo sent to Medicare Part D plan sponsors, [CLICK HERE](#).