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United States Senate
COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

July 26, 2016

VIA ELECTRONIC TRANSMISSION

The Honorable Andrew M. Slavitt
Acting Administrator
Centers for Medicare & Medicaid Services
200 Independence Ave, S.W.
Washington, D.C. 20201

Dear Mr. Slavitt:

I write today regarding concerns about the ever-increasing cost of the “catastrophic coverage” portion of the Medicare benefit. The catastrophic portion was created with the intent to cover costs for Americans who have paid \$4,850 out of pocket for prescription drugs and continue to require treatment, resulting in continued medical costs.¹ Those covered by this benefit are individuals who require many prescription drugs to manage numerous chronic illnesses, leading to cumulatively high costs. Once these individuals are “out” of the coverage gap, they are provided with catastrophic coverage that will ensure that they only pay a small copayment for drugs that are covered for the remainder of the year.²

This program is an important part of the healthcare of many Americans, but has recently seen an alarming trend in spending growth, resulting in much higher expenditures for the government, and by extension, the taxpayers, who pay 80 percent of the costs. More specifically, according to information provided to the Associated Press by the Office of the Actuary, the numbers for 2013 to 2015 show an 85 percent increase in Medicare’s catastrophic spending.³ From 2013 to 2015, the total costs for catastrophic coverage vaulted from \$27.7 billion to \$51.3 billion.⁴ Furthermore, the costs for particular drugs illustrate this exponential increase dramatically. For example, the cost for catastrophic spending for Harvoni and Sovaldi

¹ Medicare, Catastrophic Coverage, available at <https://www.medicare.gov/part-d/costs/catastrophic-coverage/drug-plan-catastrophic-coverage.html>

² *Id.*

³ Ricardo Alonso-Zaldivar, *Pricey Drugs Overwhelm Medicare Safeguard*, ASSOCIATED PRESS (July 25, 2016).

⁴ *Id.*

in 2014 was \$3.5 billion, a figure that increased to nearly \$7.5 billion in 2015.⁵ Gleevec, a drug used to treat leukemia, cost over \$1 billion in 2015 – a 54 percent increase from 2013.⁶ Overall, these escalating expenditures are cause for serious concern and should prompt questions regarding the potential causes.

Given the increasing costs and the need to ensure that the Medicare benefit, particularly catastrophic coverage, is being appropriately utilized and free from exploitation, it is important to understand the Administration's approach to solving these problems. Please answer the following:

1. What factors does CMS believe are contributing to this drastic increase in spending?
2. Do you believe there is potential for exploitation of the catastrophic benefit as it is currently framed? If so, how?
3. What steps is the Administration taking to eliminate or lessen the explosive costs and any possible exploitation of the catastrophic benefit? If no steps are being taken, please explain why not.

Please number your responses according to their corresponding questions and respond no later than August 9, 2016. Please contact Josh Flynn-Brown of my Committee staff at (202) 224-5225 should you have any questions.

Sincerely,



Charles E. Grassley
Chairman
Committee on the Judiciary

⁵ *Id.*

⁶ *Id.*