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# CMS Announces Loosening of Rules Regarding Part D Formularies

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In a memorandum issued by the Centers for Medicare and Medicaid Management ("CMS") on August 29, 2018, the federal government outlined new 'flexibility' and tools for Part D plans to "expand choices and lower drug prices for patients." Beginning in 2020, Part D plans will be able to utilize what is called 'indication-based formulary design' to change their drug formularies to allow different drugs to be included for different indications. The theory behind this shift in policy is that it will allow Part D plans to negotiate more freely for lower drug prices. The theory also posits that such actions will provide Part D beneficiaries with more drug choices in a formulary.

At the present time, if a Part D plan includes a drug in a formulary, the Part D plan must provide coverage for all FDA-approved indications for the drug, even if another medication may be more appropriate for a certain diagnosis. The end result, according to the federal government, is that the present policy disincentivizes Part D plans from including more medications on a formulary, and thus, limits the Part D plans' negotiating power.

Under the new approach, Part D plans will be required to provide therapeutically similar drugs on a formulary for a drug's non-covered indications. Therefore, if a Part D plan utilizes a medication that

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has several FDA-approved uses, but the Part D plan only uses the drug for one of the indications, then the Part D plan will be required to include similar medications on the formulary that will address coverage of the other non-covered indications.

CMS has also stated that it will provide information on the Medicare Plan Finder site regarding Part D plan formulary changes. This way consumers will be able to know what medications are covered by a Part D plan, and that these new formularies do not block beneficiaries from receiving much needed medications.

These changes in policy are part with the ‘America’s Patients First’ initiative begun under this administration. Time will tell if these changes have the desired effects on formularies and patient access.