



California Public Employees' Retirement System

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Department of Health and Human Services
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850

December 9, 2024

Subject: Medicare Two Dollar Drug List Model – Request for Information

To Whom It May Concern,

On behalf of the California Public Employees' Retirement System (CalPERS), I am writing in response to your request for information (RFI) seeking input regarding the Centers for Medicare and Medicaid Innovation's (CMMI) Medicare Two Dollar Drug List (M2DL) Model.

With more than 1.5 million members, CalPERS is the largest commercial health benefits purchaser in California and the second-largest commercial purchaser in the nation after the federal government. In 2023, we spent over \$11.3 billion to purchase health benefits for active and retired members and their families on behalf of the State of California (including the California State University) and nearly 1,200 public agencies and schools. Approximately 21 percent of our \$11.3 billion spend was for outpatient prescription drugs alone.

CalPERS would like to express our support for the M2DL Model, as it aligns with our strategic goal of improving affordability and access to prescription drugs. CalPERS current benefit design has low copays for generic drugs (\$5 for Tier 1 medications) and agrees that minimizing cost sharing has direct implications for medication adherence and outcomes.¹ Recent research supports this aim as individuals with higher copays have been associated with worse medication adherence, and increased medication discontinuation, and we commend CMMI for focusing the model on this critical component of prescription drug access.²

To support the implementation of the Model, we are providing comments related to the following Key Questions for Interested Parties – \$2 Drug List Development Process, CMS/Part D

¹ See CalPERS, 2025 Health Benefit Summary, available at: <https://www.calpers.ca.gov/docs/forms-publications/2025-health-benefit-summary.pdf>

² See Fusco, Sils, Graff, Kistler, and Ruiz. Cost-sharing and adherence, clinical outcomes, health care utilization, and costs: A systematic literature review, available at: <https://www.jmcp.org/doi/10.18553/jmcp.2022.21270>

Sponsor Outreach and Education Efforts for Beneficiaries, Assessment of the Model Impact, and Drug List Modifications:

- **\$2 Drug List Development Process:** We examined our CalPERS prescription drug data and found that the CMMI proposed list overlaps with the majority of the most utilized medications among our CalPERS Medicare members. While the selection criteria are quite comprehensive, we found that most of the drugs on the proposed drug list are already very low-cost drugs for our members. To better address the goal of improving prescription drug affordability, CalPERS recommends that CMMI look at higher cost generics in future list modifications, as lowering the cost of these medications for beneficiaries may have an even greater impact on overall adherence.
- **CMS/Part D Sponsor Outreach and Education Efforts for Beneficiaries:** We recommend leveraging health plans and pharmacy benefit managers (PBMs) to outreach to prescribers, including communicating about the \$2 co-pay within electronic prescribing solutions and electronic health records. We also believe purchaser and retiree organization outreach (e.g., newsletters, meetings, roundtables, etc.) could be effective means of informing the participating beneficiaries about the program.
- **Assessment of Model Impact:** Measuring the model's impact on adherence would likely be difficult, but CalPERS believes it is necessary to fully evaluate the model's impact on beneficiary outcomes. While there are several standard medication adherence measures, most do not measure whether a patient obtained the medication and merely measure a percentage of days covered by the medication (i.e., the prescription).

Instead, to provide a clearer understanding of whether prescription drug adherence was impacted, we recommend assessing outcomes via specific quality measures that address the chronic conditions that many of these medications are designed to treat. This could include measures such as Depression Remission or Response for Adolescent and Adults, Pharmacotherapy Management of COPD Exacerbation, and Controlling High Blood Pressure, before and after the availability of the program for participating Medicare populations.

- **Drug List Modifications:** CalPERS agrees that updates to the M2DL will be needed as new generics are introduced to the market and recommends that the list be updated on an annual basis. We believe that this cadence will allow for consistency throughout the plan year for beneficiaries, providers, plans, and pharmacies, while incorporating the new generics indicated for chronic illnesses that would have the greatest impact among beneficiaries. To update more frequently might risk confusion among prescribers, pharmacists, and beneficiaries.

Announcing list modifications on January 1st of each year would coincide with major formulary changes for most purchasers, health plans and PBMs who typically make formulary changes on January 1st and July 1st. Additionally, most PBMs provide

notice to members 30 and 60 days prior to formulary changes. Therefore, CMS should ideally finalize changes to the list mid-year or early-fall with a January 1st effective date to provide adequate time for PBMs to provide advanced notice to beneficiaries.

We thank you for your consideration and we welcome the opportunity to work with you on our shared goals to improve health care affordability and improve patient outcomes. Please do not hesitate to contact Donald Moulds, Chief Health Director, at (916) 795-0404, or Danny Brown, Chief of our Legislative Affairs Division, at (916) 795-2565, if we can be of any assistance.

Sincerely,

Marcie Frost
Chief Executive Officer