

Medicare has a new plan to address drug shortages — but it could backfire



By John Wilkerson July 18, 2023



Medicare has a new proposal to pay hospitals more to stockpile essential drugs, an effort to avoid shortages of chemotherapies and other drugs. JENNY KANE/AP

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ASHINGTON — Medicare has a new proposal to pay hospitals more to stockpile essential drugs — an idea that comes as [doctors report running low on critical chemotherapies](#) and other drugs. But experts caution the policy could cause the very shortages that government officials are trying to avoid.

For years most of the solutions for addressing drug shortages have involved giving the Food and Drug Administration more power. During the Covid-19 pandemic, Congress empowered the FDA to make drug companies create backup plans for manufacturing facility interruptions, and to collect information from drug makers on where they source ingredients. The FDA also has the authority to prioritize reviews of applications for drugs in short supply and to prioritize inspections of manufacturing facilities that plan to ramp up production.

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But Medicare has its own new idea: paying hospitals to create a “buffer stock” of 86 medicines that HHS deems critical. Medicare would not pay hospitals for the drugs. Rather, it would pay hospitals for the cost of managing a three-month inventory of the drugs. It published the proposal in a [rule](#) last week; it’s seeking comment now before it will weigh whether to finalize the policy.

But that could backfire. Erin Fox, associate chief pharmacy officer at University of Utah Health, said many factories already are at capacity, which is why even small manufacturing glitches often trigger shortages.

“If everyone tries to order six months of inventory at the same time, there is no way that there will be enough drugs,” Fox said.

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That's why Fox likes a [proposal by the Brookings Institution](#) that would put the government in charge of buying drugs and allocating them to hospitals in need. That approach would help hospitals that don't have the money to pay for a three-month supply of 86 types of drugs.

Soumi Saha, senior vice president of government affairs at the group purchasing organization Premier, echoed Fox's concerns about Medicare's plan backfiring and the need for a nationally coordinated approach.

However, Saha said it's encouraging that Medicare proposed that the extra money required for its plan would not come from Medicare payments to hospitals for other services, a policy often referred to as budget neutrality. Medicare also suggested that it might pay hospitals more for stockpiling domestically made drugs, which Saha also believes to be a good idea.

"I appreciate them thinking outside of the box, and thinking through how their authority can be leveraged to address what is a national crisis," Saha said. "However, I think that they need to do a little bit more critical thinking with stakeholders on what the best approach is."

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