

The American Families Plan & A Call for Drug Pricing Legislation

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On April 28, 2021, President Biden gave his first address to Congress and announced the American Families Plan (AFP or the Act). The AFP follows the 1.9 trillion-dollar stimulus, the [American Rescue Plan Act](#), signed into law on March 11, 2021. The AFP seeks to invest approximately 1.8 trillion dollars in various issues facing families, including childcare, pre-school, paid family leave, Affordable Care Act (ACA) premium tax cuts, nutrition support, and free community college. According to the [White House's Fact Sheet on the AFP](#) (Fact Sheet), the AFP “is an investment in our children and our families—helping families cover the basic expenses that so many struggle with now, lowering health insurance premiums, and continuing the American Rescue Plan’s historic reductions in child poverty.” This blog post discusses the health-related portions of the AFP and provides an overview of the Lower Drug Costs Now Act, which seeks to lower prescription drug prices.

The American Families Plan

Affordable Care Act Premium Tax Cuts

The American Rescue Plan Act lowered health insurance premiums for those who buy coverage through the ACA marketplace for two years following its passage. The AFP will make these lower health insurance premiums permanent, resulting in an estimated \$50 per person savings each month.

Lower Prescription Drug Prices

Notably, in his speech, President Biden called upon Congress to pass drug pricing legislation; however, the current Fact Sheet does not include specific drug pricing provisions. The Fact Sheet only states that President Biden plans to build on the ACA, lower prescription drug costs, reduce health insurance premiums and deductibles for those who buy coverage on their own, create a public option and the option for people to enroll in Medicare at age 60, and close the Medicaid coverage gap to help millions of Americans gain health insurance. President Biden’s comments could signal his support for the Senate to pass the [Elijah E. Cummings Lower Drug Costs Now Act](#) (Act), which passed the House of Representatives on December 12, 2019.

Drug Pricing Legislation: Lower Drug Costs Now Act

Currently, the Department of Health and Human Services (HHS) cannot negotiate the price of covered drugs under the Medicare prescription benefit drug benefit with prescription manufacturers. The Act would allow the government to reduce prices for certain drugs that lack competition and account for a large portion of government spending. These price reductions would apply to Medicare, Medicare Advantage, and private insurers, provided the private insurers do not opt out.

Negotiation for Lower Prices

Upon the passage of the Act, HHS would negotiate maximum prices for insulin products. In addition, starting in fiscal year 2023 and doubling in fiscal year 2024, HHS would negotiate the maximum prices for at least 25 single-sourced brand-name drugs that (1) lack a generic drug competitor and (2) are among the 125 drugs that account for the greatest national spending or the greatest spending under the Medicare prescription drug benefit and Medicare Advantage.

Inflation Rebates for Medicare Parts B and D

Drug Manufacturers would be required to issue rebates to the Centers for Medicare & Medicaid Services (CMS) for covered drugs under Medicare that cost \$100 or more and for which the average manufacturer price increases faster than inflation.

Out-of-Pocket Cap for Medicare Beneficiaries

The Act would reduce the annual out-of-pocket spending threshold and eliminate the beneficiary cost-sharing above the spending threshold under the Medicare prescription drug benefit. Additionally, certain beneficiaries would be able to make co-insurance payments to prescription drug plan sponsors in installment payments in accordance with CMS requirements.

Drug Price Transparency

Drug manufacturers would be required to report specific information for drugs covered under Medicare or Medicaid that cost \$100 or more. Additionally, drug manufacturers would need to report qualifying price increases at least 30 days before such price increase. HHS would subsequently publish the price increase on its website on the day of the increase.

Eligibility Expansion for Premium and Cost-Sharing Subsidies

The Act would raise the maximum allowable income for beneficiaries to qualify for certain premium and cost-sharing subsidies under the Medicare prescription benefit while also automatically qualifying certain residents of U.S. territories for the benefit.

Medicare Coverage Expansion

Under the Act, Medicare would provide coverage for (1) dentures and dental and oral health services, including basic and major treatments (as determined by the CMS), as well as specified preventive and screening services; (2) hearing aids and hearing rehabilitation and treatment services; and (3) eyeglasses, contact lenses, and vision services, including routine eye examinations and contact lens fittings.

Pricing Models and Spread-Pricing

The Act would require pass-through pricing models and prohibit spread-pricing for payment arrangements with pharmacy benefit managers under Medicaid.

Looking Forward

We will continue to monitor the progress of the AFP and provide an update if the AFP is passed in Congress. Additionally, we continue to track the Act and its status in the Senate.

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