



California Public Employees' Retirement System

Executive Office

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Dr. Mehmet Oz, Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
P.O. Box 8013
Baltimore, MD 21244-8013

Attention: CMS-5546-P

February 17, 2026

Subject: Guarding U.S. Medicare Against Rising Drug Costs (GUARD) Model [CMS-5546-P]

Dear Administrator Oz,

On behalf of the California Public Employees' Retirement System (CalPERS), I am writing in response to the proposed rule to implement the Guarding U.S. Medicare Against Rising Drug Costs (GUARD) Model.

With more than 1.5 million members, CalPERS is the largest purchaser of public employee health benefits in California and the second largest public purchaser in the nation after the federal government. In 2024, we spent over \$12.4 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 system) and nearly 1,200 public agencies and schools. Approximately 12.4% of our \$12.4 billion spend was for Medicare outpatient prescription drugs alone.

Prescription drugs play an important role in the health and well-being of our members and their families, and it's critical that they remain affordable. In recent years, we have observed that a significant driver of rising prescription drug costs is the increasing use and high prices of specialty medications. While specialty drugs represent a small fraction of drugs prescribed and dispensed to our members, they account for a disproportionately large portion of the overall CalPERS spend. In 2024, specialty medications represented 42% of CalPERS' total Medicare outpatient pharmacy spend. Consequently, reducing prescription drug prices, particularly for high-cost specialty drugs, remains a key priority for CalPERS.

We commend CMS for taking action to address rising prescription drug prices of Part D single source drugs and biologics through the GUARD model, while preserving clinical quality CalPERS

supports efforts to control costs for Part D drugs, provided they are implemented in a way that achieves meaningful savings for purchasers and patients while safeguarding access to safe and effective medications. Moreover, CalPERS strongly supports initiatives that improve health care quality, equity, access, and affordability for our members.

If the GUARD model proves effective in curbing price increases, we encourage CMS to expand similar approaches more broadly to include all Part D drugs and the commercial market as well. Research has found that extending a similar Part D Inflation Rebate Program policy to the commercial market could have resulted in savings up to \$8.1 billion by imposing rebates on 1,100 drugs in 2021.¹ Controlling prescription drugs costs not only helps reduce purchaser spending, but also directly reduces out-of-pocket spending for members, while improving health outcomes. CalPERS appreciates CMS's leadership on this critical issue and looks forward to the results of this model. We encourage CMS to monitor potential unintended consequences such as increases in patient cost sharing and cost shifting into other areas of the healthcare ecosystem.

We thank you for your consideration and welcome the opportunity to work with you on our shared goal to improve health care affordability. 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

¹ See Health Affairs, Estimated Savings From Extending Prescription Drug Inflationary Rebates To All Commercial Plans, *available at*: <https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2024.00724#:~:text=Abstract,rebates%20on%20just%20194%20drugs>