

Committee on Ways and Means

Negotiating Lower Drug Prices for America's Seniors

Why the HHS Secretary is not 'Negotiator in Chief'

Liberal critics are attacking a feature of H.R. 1 that says that the HHS Secretary “*is prohibited from interfering with the negotiations between drug manufacturers and pharmacies and PDP (prescription drug plan) sponsors.*” These critics wrongly claim that this provision will result in higher drug prices. Instead, H.R. 1 will allow competitive forces in the private market to generate the best savings for seniors.

FACTS:

1. Seniors will see real relief from high drug prices with a Medicare prescription drug benefit.
2. For the first time, seniors will not be forced to pay a higher retail price for their prescriptions. With a drug benefit, seniors will now have group buying power, which will significantly drive down drug prices. The Congressional Budget Office (CBO) has predicted a previously uninsured senior will save 25 percent in negotiated drug prices – before savings from the Medicare drug benefit are taken into account.
3. This bill does more to reduce drug prices than any other bill that has ever been enacted. Seniors not only get group buying power, but also benefit along with all consumers from the Hatch-Waxman reforms that will accelerate movement of cheaper generic drugs to the market. These provisions gained the support of the *Generic Pharmaceutical Association*.
4. The Medicaid program for low-income Americans is currently subjected to government price setting through a so-called ‘best price’ provision. Unfortunately, this doesn’t result in the best and lowest drug savings for those beneficiaries. By eliminating this ‘best price’ requirement in the new Medicare drug benefit, CBO estimates billions in savings to seniors and taxpayers. Clearly, we can and should do better than government price setting.
5. The PDPs (prescription drug plans) have a financial stake in aggressively negotiating down drug prices. A government bureaucracy has no such incentive. By getting the lowest drug prices, PDPs reduce their risk exposure for the coverage of seniors’ drugs. The fact is that CBO has predicted that government-run plans produce less savings – not more – on the cost of drugs.
6. Ironically, this provision that Democrats claim is so harmful is their very own. It was included in Medicare bills sponsored by Senators Tom Daschle, Ted Kennedy and John Kerry in 2000. Notably, Reps. Charles Rangel and Pete Stark included this same provision in their 2000 Medicare plan (*motion to recommit to H.R. 4680.*)