

Wyden Urges HHS Secretary to Reconsider Position to Allow Negotiation for Medicare Prescription Drugs

by Bend Weekly News Sources

Following criticism by U.S. Department of Health and Human Services Secretary Michael Leavitt that allowing Medicare to negotiate prescription drug prices would create government run health care and fail to lower prices, U.S. Senators Olympia Snowe (R-ME) and Ron Wyden (D-OR) on Tuesday urged Leavitt to reconsider his position in the wake of building momentum to take this step to bring lower drug prices for seniors.

“We believe sound management of the [Medicare] program would mean including cost containment tools like negotiation. We do not believe providing the Secretary authority to negotiate drug prices is a leap to government-run health care or limiting access to medications. Indeed our amendment this year on the Senate budget resolution made that clear, stating that the negotiating authority would not permit price setting or a uniform formulary.” Fifty-two of our colleagues joined us in supporting that amendment, the Senators wrote in a letter to Leavitt December 5.

Currently, the HHS Secretary is prevented from bargaining for prescription drugs under the Medicare program. Under the Snowe-Wyden proposal, that ban would be lifted.

Snowe and Wyden have a long history of seeking to give the HHS Secretary that power. In 2004, they first introduced legislation to allow such bargaining and in March 2006, the Senate adopted 54-44 a Snowe-Wyden amendment to accomplish the same goal. The measure needed 60 votes.

“The rapidly escalating price of prescription drugs threatens to undermine the very drug benefit Congress passed to deliver real savings to seniors,” Snowe said. “Senator Wyden and I believe that we manage the costs of the Medicare drug benefit in a commonsense way by harnessing the buying power of millions of seniors to give them a better value for their health care dollar. The fact is that negotiation will drive down costs, and I urge Secretary Leavitt to reconsider his position.”

“Our proposal is a common-sense way to lower drug prices for seniors who are often faced with a choice to fill their prescriptions or fill their refrigerators,” Wyden said. “The losers under the current system are seniors who pay higher prices for drugs and taxpayers. It just doesn’t make sense to say no to banding together to save money.”

The Snowe-Wyden proposal would grant the HHS Secretary specific authority to bargain for better prices and improve access to medicines in the same way that private businesses do when buying products and try to leverage their bargaining power to get better prices.

Snowe and Wyden also reported results of a Maine study of drug prices offered by Part D plans as evidence of the need for a negotiating role for the HHS Secretary. The study found Part D plans offered only a modest advantage in pricing – less than 12 percent below retail prices available to seniors without Part D coverage. Snowe and Wyden pointed out that were negotiation to achieve even as little as a 5 percent increase in discount on a single major “blockbuster” drug, Medicare and its beneficiaries would realize an annual savings exceeding \$2 billion per year. The Congressional Budget Office has estimated that negotiating for such expensive “single-source” drugs could produce savings for Medicare and its beneficiaries.

Unlike other proposals, the amendment also includes language stating that under the provision, there can be no price-setting or uniform formularies.

Snowe and Wyden, both members of the Finance Committee, which oversees Medicare, sent HHS Secretary Leavitt the following letter today.

The Honorable Michael Leavitt
Secretary, U.S. Department of Health & Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Leavitt: Millions of seniors are at last realizing help with the high cost of prescription drugs as a result of the Medicare Part D benefit. We share with you a commitment to see all seniors are able to afford the modern drugs which are essential to maintain health. Yet, we are concerned about your recent comments opposing secretarial authority to negotiate for better drug prices in Medicare. The need to achieve savings in Part D is clear. Since the enactment of the program, cost estimates have escalated. Despite initially asserting the cost of coverage is not increasing, the Centers for Medicare and Medicaid Services (CMS) confirmed that the cost of stand alone drug plans is indeed increasing approximately 10 percent for 2007. At the same time, the standard deductible, initial coverage limit, and required out-of-pocket expenses have increased six to seven percent.

The coverage gap – the “donut hole” – has now risen from \$3600 in 2006 to \$3650 for 2007. The Congressional Budget Office (CBO) projects an annual increase in costs of approximately 8.5 percent. The taxpayer deserves far more in terms of fiscal responsibility, and our beneficiaries must see costs they can afford as well.

We believe sound management of the program would mean including cost containment tools like negotiation. We do not believe providing the Secretary authority to negotiate drug prices is a leap to government-run health care or limiting access to medications. Indeed our amendment this year on the Senate budget resolution made that clear, stating that the negotiating authority would “not permit price setting or a uniform formulary.” Fifty-two of our colleagues joined us in supporting that amendment.

For example, under the Snowe-Wyden legislation, a private plan could seek the help of the Secretary if the plan felt it was not getting as good a deal as they believe they should. If a new drug came on the market to treat a certain disease, but not many seniors would be taking the drug, the Secretary could combine the leverage of all seniors needing the drug in all plans to negotiate better prices. Those are examples of using the leverage of seniors in the marketplace to lower prices without establishing price controls or government-run health care. We believe negotiation authority can be used in conjunction with the current structure of the benefit using private plans to provide coverage.

In 2004, the Congressional Budget Office stated savings can result from effective negotiation for brand name drugs which lack competition. CBO stated, "Giving the Secretary an additional tool"the authority to negotiate prices with manufacturers of such drugs"would put greater pressure on those manufacturers and could produce some additional savings." Additional savings of as little as five percent in just a few "blockbuster" drugs, could translate into billions of dollars saved each year - savings that would work to the benefit of our federal budget, seniors and taxpayers by controlling costs.

We believe the evidence is mounting that additional cost containment is needed in the drug benefit. We recently reviewed drug prices in Part D Plans in Maine with prices available to seniors at retail pharmacies for the 24 drugs most used by seniors. Given the competition between plans, these would presumably be the most competitively priced products.

However, the results of the review were distressing. These drugs were on average priced just 11.9 percent below retail prices already available to seniors. If the numbers of drugs the average senior uses and premiums seniors pay are taken into accounts, savings were negligible. Indeed it appears the subsidy and premiums paid are doing more than negotiations by private plans to deliver savings for our seniors.

Negotiation authority can be used to achieve better prices if the clout of seniors collectively is used in the marketplace. The Snowe-Wyden approach is a common sense solution which gives the plans another tool for assuring that good faith negotiation takes place and would allow the Secretary the ability to exercise oversight of the program to benefit seniors and the taxpayer.

Our objective is to assure the fiscal health of the drug benefit. Providing secretarial authority to negotiate for drug prices is consistent with those goals. We hope you will join us in working to support a proper role for the Secretary in assuring the success of Part D.

Sincerely,

OLYMPIA J. SNOWE United States Senator

RON WYDEN United States Senator

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