



May 16, 2017

The Honorable Amy Klobuchar
United States Senate
302 Hart Senate Office Building
Washington, D.C. 20510

Re: Support for your bill to require negotiation of drug prices under Medicare

Dear Senator Klobuchar,

The undersigned consumer organizations write to express our support for S. 41, the Medicare Prescription Drug Price Negotiation Act of 2017, your legislation to help make prescription drugs more affordable for America's seniors and also save taxpayers money.

Coping with the increasing costs for essential prescription drugs is an enormous pocketbook challenge facing American consumers, and particularly America's seniors. A survey by AARP found that over three-quarters of Americans aged 50+ regularly take prescription medication, and more than half of seniors take four or more drugs.¹ Medicare Part D, the segment which provides prescription drug coverage, accounts for a sixth of all Medicare spending.

Your legislation addresses a principal reason why the federal government pays more for drugs purchased for Medicare beneficiaries than purchased for veterans or under Medicaid: it is legally barred from negotiating with drug companies under Medicare, and is therefore paying more than it should.

The premiums and out-of-pocket costs seniors pay for prescription drug coverage under Medicare Part D continue to climb, with annual premiums projected to increase to \$846 by 2025, with an annual deductible of \$645.² The federal government's share is also climbing, expected to grow faster than other parts of Medicare -- from \$2,203 (in 2015) to \$3,861 (in 2025) per beneficiary per year.³

¹ AARP Research, 2015 Survey on Prescription Drugs (Jan. 26, 2016), http://www.aarp.org/content/dam/aarp/research/surveys_statistics/health/2015/prescription-drug-report-2015.pdf.

² Kaiser Family Foundation, 10 Essential Facts About Medicare and Prescription Drug Spending (July 7, 2016), <http://kff.org/infographic/10-essential-facts-about-medicare-and-prescription-drug-spending/>.

³ Kaiser Family Foundation, The Medicare Part D Prescription Drug Benefit (Sep. 26, 2016), <http://kff.org/medicare/fact-sheet/the-medicare-prescription-drug-benefit-fact-sheet/>.

Seniors and taxpayers are shouldering the burden of high drug prices and high profits to drug manufacturers and other companies in the prescription drug supply chain. When the Medicare Modernization Act was passed in 2003, lawmakers were hopeful that private pharmacy benefits managers, “PBMs,” would be able to negotiate significant rebates from drug companies that could be passed along to seniors in lower prices, and in savings for the Medicare program. But the Veterans Administration, which is able to negotiate directly, pays less than Medicare for prescription drugs.

Ten-thousand seniors age into Medicare *every day*.⁴ The government should be allowed to represent those people in the marketplace, just as it does for veterans. Medicare’s massive volume -- 41 million enrollees -- puts the government in a strong negotiating position to obtain a good deal for Medicare plans, and for taxpayers.

This policy change already enjoys widespread public support -- 83% according to the Kaiser Family Foundation.⁵ And we are encouraged that President Trump has also expressed support for it.

As Congress considers a range of proposals to address rising prescription drug costs, enacting the Medicare Prescription Drug Price Negotiation Act of 2017 is a common-sense step to improve how Medicare works for providing prescription drugs.⁶ In moving forward with your proposal, we urge you to consider additional steps to ensure that the savings obtained by Medicare plans are passed along to seniors, to ensure that negotiations do not lead to restrictions in the availability of essential medications to seniors, and to ensure that prices negotiated by Medicare are publicly available for use as a benchmark for other health plans negotiating with drug companies.

We applaud you and your cosponsors, Senators Richard Blumenthal, Jeanne Shaheen, Tammy Baldwin, Angus King, Sherrod Brown, Patrick Leahy, Al Franken, Tim Kaine, Maggie Hassan, Cory Booker, and Chris Murphy for your leadership on this important consumer pocketbook issue.

Sincerely,

Consumers Union
Consumer Action
Consumer Federation of America
Consumer Watchdog
U.S. PIRG

⁴ Dan Diamond, 10,000 People Are Now Enrolling in Medicare – Every Day, Forbes (July 13, 2015), <http://www.forbes.com/sites/dandiamond/2015/07/13/aging-in-america-10000-people-enroll-in-medicare-every-day/#7e334d605e07>.

⁵ Kaiser Health Tracking Poll: August 2015, <http://kff.org/health-costs/poll-finding/kaiser-health-tracking-poll-august-2015/>.

⁶ Kaiser Family Foundation, 10 Essential Facts About Medicare and Prescription Drug Spending (July 7, 2016), <http://kff.org/infographic/10-essential-facts-about-medicare-and-prescription-drug-spending/>.

cc: Senator Tammy Baldwin
Senator Richard Blumenthal
Senator Cory Booker
Senator Sherrod Brown
Senator Al Franken
Senator Maggie Hassan
Senator Tim Kaine
Senator Angus King
Senator Patrick Leahy
Senator Chris Murphy
Senator Jeanne Shaheen