

A Medicare Drug Rebate: Save More than \$120 Billion While Protecting Seniors' Health Care
From: The Committee on Energy and Commerce - Minority Staff

Sent By: Allison.Corr@mail.house.gov

Bill: H.R. 2190

Date: 7/11/2011

Dear Colleague:

We are writing to remind you of a policy that could save \$120 billion to fix the Sustainable Growth Rate (SGR) payment system for Medicare physicians or cut the national debt without harming the Medicare program or Medicare beneficiaries.

We recently introduced the *Medicare Drug Savings Act of 2011* (H.R. 2190), which eliminates a multi-billion dollars, taxpayer-funded windfall for brand-name drug manufacturers that allows them to charge Medicare higher prices for millions of low-income enrollees in the Medicare Part D program. A provision to end this windfall was included in the original House-passed health reform bill in 2009, which was supported by the vast majority of the Democratic Caucus.

Prior to 2006, the government received substantial rebates on drugs used by "dual eligible" Medicare and Medicaid enrollees. However, beginning in 2006, the Republicans' Medicare Modernization Act moved coverage for these beneficiaries from Medicaid to Medicare. In doing so, it eliminated Medicaid rebates paid by manufacturers for the drugs used by these patients, dramatically raising drug costs for taxpayers and the government and profits for manufacturers. The *Medicare Drug Savings Act of 2011* (H.R. 2190) eliminates the windfall and requires that manufacturers pay the rebates for dual eligible and low-income Part D enrollees, ensuring that taxpayers and the Medicare program do not overpay for Part D drugs. The proposal would save billions of dollars and would not impact the basic structure and function of the Part D program; nor would it have any adverse impact on dual eligibles or other Part D enrollees.

According to the Congressional Budget Office, the rebate policies in the *Medicare Drug Savings Act of 2011* would reduce the deficit by \$120 billion over the next 10 years. A series of investigative reports in 2007 and 2008 by the Committee on Oversight and Government Reform found that drug costs in the Medicare Part D program are substantially higher than costs for those same drugs under Medicaid.

In addition, virtually all leading beneficiary organizations, including AARP, the Center for Medicare Advocacy, the Medicare Rights Center and Families USA have endorsed this legislation because they all know this is a critical policy that will protect seniors' health care, and save hundreds of billions of taxpayers' dollars.

As discussions continue around ways to fix the SGR and reduce the debt, we encourage all of you to keep this policy in mind.

Sincerely,

/s
Sander Levin
Ranking Member
Committee on Ways and Means

/s
Henry Waxman
Ranking Member
Committee on Energy and
Commerce