

Committee on Energy and Commerce
Rep. Henry A. Waxman, Ranking Member

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E&C Contact: Karen Lightfoot/Lindsay Vidal: (202) 225-3641
W&M Contact: Josh Drobnik: (202) 225-8933
E&W Contact: Aaron Albright: (202) 226-0853

HOUSE DEMOCRATIC LEADERS INTRODUCE LEGISLATION TO SAVE MORE THAN \$100 BILLION IN MEDICARE DRUG COSTS

Would Help Avert Republican Efforts to End Medicare

WASHINGTON, DC — Representatives Henry A. Waxman, John D. Dingell, Sander Levin, George Miller, Pete Stark, and Rob Andrews have introduced legislation that would save the government billions by reducing Medicare Part D drug costs for taxpayers. The bill would save more than \$100 billion – without resorting to the Republicans’ reckless proposal to double seniors’ health care costs by 2022 by dismantling Medicare.

The *Medicare Drug Savings Act of 2011* (H.R. 2190) will eliminate a sweetheart deal 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. 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 Part D law eliminated these rebates, dramatically raising prices for the government and profits for manufacturers. The Part D deal resulted in a substantial drug manufacturer windfall. The bill 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.

“We face a stark choice. The Republicans have proposed eliminating basic Medicare and Medicaid guarantees. But Democrats have better ideas. This bill saves Medicare more than \$100 billion by eliminating drug manufacturer windfalls instead of hurting seniors,” said Rep. Waxman, Ranking Member of the Committee on Energy and Commerce.

“Ending pharmaceutical manufacturers’ means of overcharging for drugs for “dual eligible” enrollees in the Medicare Part D drug program saves taxpayers billions of dollars and helps us cut the deficit without ending Medicare as we know it. When this provision was included in the health reform bill that passed the House, it made sense, and it makes sense today. This proposal must be on the table as we consider responsible ways to reduce our budget deficit,” said Rep. Dingell.

“The Affordable Care Act greatly strengthened Medicare’s financial footing. Republicans want to end Medicare and shift costs to seniors and people with disabilities. This bill shows there are ways to substantially reduce Medicare costs without hurting beneficiaries,” said Rep. Levin, Ranking Member of the Committee on Ways and Means.

“The federal government is the largest payor for senior’s drugs and it is absurd we do not use our bargaining power to negotiate drug discounts with the high profit pharmaceutical industry. Unlike the Republican plan, Democrats recognize that you don’t reform Medicare by ending the program nor do you make Medicaid sustainable by simply shifting the costs onto states. This bill will improve Medicare and Medicaid’s sustainability while still providing the needed benefits our nation’s citizens depend on,” said Rep. Miller, Ranking Member of the Committee on Education and the Workforce.

“Instead of making devastating cuts to programs that help low-income and middle-income Americans, as Republicans keep putting on the table, we should do what every other industrialized country does and ask the pharmaceutical industry, one of the wealthiest in the world, to chip in. What’s more, the savings from this legislation could pay for a multi-year ‘doc fix’ -- something we tried to do in a comprehensive way but have had to address yearly so Medicare’s payments to doctors aren’t slashed,” said Rep. Stark, Ranking Member of the Ways and Means Health Subcommittee.

“Rather than finding sustainable solutions to strengthen Medicare, Republicans propose to end it entirely and deny seniors the right to a dignified retirement. This legislation will protect seniors while recouping billions of dollars in taxpayer dollars paid to the pharmaceutical industry,” said Rep. Andrews, Ranking Member of the Education and the Workforce Health Subcommittee.

Background:

The rebate policies in the *Medicare Drug Savings Act of 2011* would reduce the deficit by \$112 billion over the next ten years according to the Congressional Budget Office. A series of investigative reports by then-Oversight Committee Chairman Waxman found that drug costs in the Medicare Part D program are substantially higher than costs for those same drugs under Medicaid. The bill provides that for dual-eligible and low-income Part D enrollees, manufacturers provide Part D rebates to equalize these costs.

A similar proposal was also included in the recommendations from the President’s Commission on Fiscal Responsibility and Reform. The legislation would require prescription drug manufacturers to provide a rebate for drugs provided to dually eligible beneficiaries as well as all other enrollees in the low-income-subsidy (LIS) program in the Medicare Part D Prescription Drug Program. Drug manufacturers currently provide rebates for other Medicaid beneficiaries and, until 2006 when they were eliminated in the Republican Part D drug law, provided these same rebates for dually eligible beneficiaries.

As in the Medicaid program, drug manufacturers would be required to pay the difference between the average rebates they are paying to private Part D drug plans, and 23.1 percent of Average Manufacture Price (AMP). They would be required to pay additional rebates if drug prices increase faster than the underlying inflation rate. Manufacturers would be required to participate in the rebate program in order for their drugs to be covered by Medicare Part D.

The bill was also introduced in the Senate by Senators Rockefeller (D-WV), Bingaman (NM), Blumenauer (D-OR), Boxer (D-CA), Sherrod Brown (D-OH), and Stabenow (D-MI).