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PhRMA Statement on President Obama's Deficit Reduction Proposal

Washington, D.C. (September 19, 2011) — Pharmaceutical Research and Manufacturers of America (PhRMA) Senior Vice President Matt Bennett issued the following statement:

“PhRMA opposes implementing Medicaid’s failed price controls in Medicare Part D. Such policies would fundamentally alter the competitive nature of the program, undermine its success and potentially cost hundreds of thousands of American jobs.

“Since its inception, Part D has provided unprecedented access to medicines at affordable prices. Recently, the Department of Health and Human Services announced that average monthly Part D premiums for 2012 will fall slightly to \$30 – a 44 percent decrease from original premium projections.

“Not only is the program affordable for beneficiaries, but Part D spending is 41 percent lower than initial 10-year projections, according to the Congressional Budget Office.

“These continued low premiums and below projected overall costs add to the overwhelming body of evidence demonstrating the competitive market structure of Part D is yielding great value for beneficiaries and the Medicare system.

“For example, a recent study by Harvard researchers found that access and adherence to medicines driven by Part D saves Medicare about \$1,200 per year in hospital, nursing home and other costs for each senior who previously lacked comprehensive prescription drug coverage. According to other experts, this finding equals about \$12 billion per year in savings across Medicare.

“Imposing mandatory rebates in Part D could also potentially lead to job losses. A paper from the Battelle Technology Partnership Practice estimates that a \$20 billion reduction in biopharmaceutical sector revenue would result in 260,000 permanent job losses across the U.S. economy. While the research is not specific to any one policy or event, proposals being considered, such as government-mandated Part D rebates, would be expected to have a revenue impact of this magnitude.

“In addition, economists agree that introducing mandatory rebates into Part D risks raising costs for seniors and other consumers; one analysis by a former CBO director suggests premiums in Part D would increase by 20-40 percent.

“These facts illustrate that Medicare Part D is a model for health care that should be emulated, not weakened by unsound policy proposals.

“Also, we have significant concerns about the overly broad powers of the unelected Independent Payment Advisory Board (IPAB), which could enact sweeping Medicare changes without Congress’

oversight and which would not be subject to judicial or administrative review.

“We believe IPAB will result in access problems for Medicare beneficiaries. Therefore, IPAB in its current form must be repealed.

“It should be noted that many organizations share PhRMA’s concerns on IPAB. In fact, over 270 organizations nationwide, including hospital and physician groups, have publicly expressed either concern or outright opposition to IPAB.

“In addition, opposition to IPAB is clearly a bipartisan issue. Members of both parties in Congress do not support retaining the board as it currently stands.

“We look forward to working with Congress to address these concerns and to identify ways to contain medical costs without creating new barriers to quality health care.”

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The Pharmaceutical Research and Manufacturers of America (PhRMA) represents the country's leading pharmaceutical research and biotechnology companies, which are devoted to inventing medicines that allow patients to live longer, healthier, and more productive lives. PhRMA companies are leading the way in the search for new cures. PhRMA members alone invested an estimated \$49.4 billion in 2010 in discovering and developing new medicines. Industry-wide research and investment reached a record \$67.4 billion in 2010.

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