

United States Senate

WASHINGTON, DC 20510

February 2, 2016

President Barack Obama
1600 Pennsylvania Ave. NW
Washington, DC 20500

Dear Mr. President,

Last year, your budget proposal included a number of provisions to lower prescription drug costs for federal health programs without compromising quality or access to medications. As you prepare the Budget for Fiscal Year 2017 (FY17) we urge you to again propose policies to help reduce the cost of prescription drugs for Americans and include new measures to promote value.

Prescription drug prices are soaring in the United States, driving up costs in federal healthcare programs and households alike. The Centers for Medicare and Medicaid report that between 2013 and 2014, spending on prescription drugs in the Medicare program rose by 12.2 percent. This is a dramatic rise from the low growth rates seen between 2007 and 2013.¹ Hospitals, insurers, and state governments are experiencing similar increases in costs, causing some to restrict access to expensive treatments or impose high cost sharing requirements on patients.^{2,3} As a result, patients are left with the unimaginable choice of foregoing life-saving care or depleting family savings. These patients deserve better.

Fortunately, policy solutions exist to bring down high prescription drug costs, including many that have been advanced in Congress and proposed in your previous budgets. For example, approximately \$120 billion could be saved if the government required drug manufacturers to provide rebates on prescriptions for Part D low-income subsidy enrollees in the same way that it does already for Medicaid recipients.⁴ Furthermore, allowing the Secretary of Health and Human Services to negotiate drug prices for biologics and other high-cost prescription drugs would result in major cost savings.

Your FY16 budget included a number of policies aimed at reducing pharmaceutical drug costs. Just as many of our offices have long advocated, you sought to prohibit "pay for delay"

¹ "CMS Releases 2014 National Health Expenditures." Centers for Medicare and Medicaid Services. December 02, 2015. <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2015-Press-releases-items/2015-12-02.html>.

² "Avalere PlanScape® Analysis of Prescription Drug Tier Placement and Cost Sharing in Health Insurance Exchange Plans." Avalere. February 11, 2015. http://go.avalere.com/acton/attachment/12909/f-017c/1/-/-/-/20150211_Avalere%20Planscape%202015_Class%20Tiering%20Analysis.pdf.

³ Johnson, Carolyn Y. "Doctors, Hospitals Condemn Out-of-control Drug Prices as Senate Investigation Begins." Washington Post. December 09, 2015. <https://www.washingtonpost.com/news/wonk/wp/2015/12/09/doctors-hospitals-condemn-out-of-control-drug-prices-as-senate-investigation-begins/>.

⁴ "Require Manufacturers to Pay a Minimum Rebate on Drugs Covered Under Part D of Medicare for Low-Income Beneficiaries." Congressional Budget Office. November 13, 2013. <https://www.cbo.gov/budget-options/2013/44899>.

arrangements, in which brand drug manufacturers pay generic drug companies to delay the introduction of generic competitors. You also proposed increasing prescription drug discounts for Medicare Part D recipients and altering reimbursement for drugs administered under Medicare Part B. The Kaiser Family Foundation estimated that these proposals would have saved the federal government approximately \$150 billion in FY16.⁵ We ask that you advance these initiatives again in your FY17 budget.

We also ask that you introduce new proposals that account for the changing dynamics in the pharmaceutical drug market. For example, for decades, market competition has held the price of generic drugs in check. Unfortunately, this is no longer the case. The price of more than one-fourth of generic drugs rose 10 to 100 percent or more in 2014.⁶ In your budget for FY17, we encourage you to include policies that will promote competition in the generic market, improve market transparency, and prevent companies from gouging prices on essential medicines.⁷

Looking forward, we also ask that you implement Medicare reimbursement policies that reflect the value of prescription drugs. Last year, your administration launched an unprecedented initiative to shift Medicare reimbursements from volume to value; it's time that you extend this initiative to prescription drugs.⁸ Private-sector initiatives testing the value of new therapies are already underway, and showing promise. However, these efforts have confronted challenging societal questions, including whether a value metric should consider impact on the federal budget, which requires public-private engagement. Your administration can begin this engagement by launching demonstration projects testing various models of value-based payments, such as indication-specific pricing, reference pricing, bundled payments, or other pay-for-performance models.⁹

Most Americans agree that current drug costs are unreasonable.¹⁰ We must act now to address escalating prescription drug prices and contain rising health care costs. We applaud the measures your administration has advanced in the past on prescription drugs and hope that you will expand on them in next year's budget.

⁵ "Summary of Medicare Provisions in the President's Budget for Fiscal Year 2016." The Henry J. Kaiser Family Foundation. February 03, 2015. <http://kff.org/medicare/issue-brief/summary-of-medicare-provisions-in-the-presidents-budget-for-fiscal-year-2016/>.

⁶ Herrick, Devon M. "What Is Increasing the Cost of Generic Drugs? (Part I: The Supply Chain)." National Center for Policy Analysis. September 21, 2015. <http://www.ncpa.org/pub/what-is-increasing-the-cost-of-generic-drugs-part-i-the-supply-chain>.

⁷ Pollack, Andrew. "Drug Goes From \$13.50 a Tablet to \$750, Overnight." The New York Times. September 20, 2015. <http://www.nytimes.com/2015/09/21/business/a-huge-overnight-increase-in-a-drugs-price-raises-protests.html>.

⁸ "Better, Smarter, Healthier: In Historic Announcement, HHS Sets Clear Goals and Timeline for Shifting Medicare Reimbursements from Volume to Value." U.S. Department of Health and Human Services. January 26, 2015. <http://www.hhs.gov/about/news/2015/01/26/better-smarter-healthier-in-historic-announcement-hhs-sets-clear-goals-and-timeline-for-shifting-medicare-reimbursements-from-volume-to-value.html>.

⁹ Neumann, Peter J., and Joshua T. Cohen. "Measuring the Value of Prescription Drugs — NEJM." New England Journal of Medicine. December 31, 2015. <http://www.nejm.org/doi/full/10.1056/NEJMp1512009>.

¹⁰ DiJulio, Bianca, Jamie Firth, and Mollyann Brodie. "Kaiser Health Tracking Poll: August 2015." The Henry J. Kaiser Family Foundation. August 20, 2015. <http://kff.org/health-costs/poll-finding/kaiser-health-tracking-poll-august-2015/>.

Thank you for your consideration of this request, and we look forward to working with you to address the burden of rising prescription drug costs.

Sincerely,



Al Franken
United States Senator



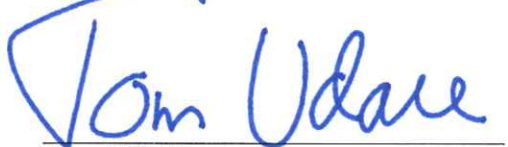
Bernard Sanders
United States Senator



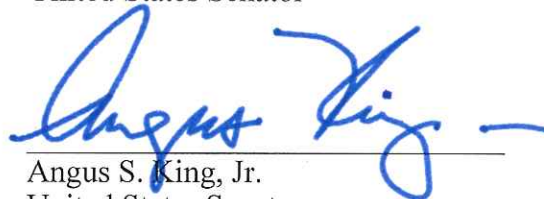
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