

Prescription Drug and Health Improvement Act of 2016

Senator Al Franken

Background

Pharmaceutical companies are raising their prices on prescription drugs, putting increased pressure on family and government budgets alike. In 2015, IMS Health reports that list prices for brand-name drugs increased by more than 12 percent. Prices on specialty drugs and generic drugs have also increased—in many cases far faster than inflation—driving up health care spending. Between 2013 and 2014, U.S. prescription drug spending rose by nearly 13%, higher than any year since 2001. Spending on specialty drugs, including those used to treat hepatitis C, rose by 26.5%. Prescription drug spending accounted for 14 percent of total Medicare spending, up from 11 percent in 2010.

High drug prices lead to higher patient costs, especially for seniors who fill on average more than 27 prescriptions each year. The Centers for Medicare and Medicaid Services estimates that out-of-pocket prescription drug spending rose 2.7 percent in 2014. While there are patient assistance program and other subsidy programs to help the poorest of seniors, many Medicare beneficiaries are not eligible and cannot receive this aid. For example, Imbruvica, which is used to treat rare forms of cancer, has a wholesale list price of at least \$116,600 (and can be as much as \$155,400 for a certain lymphoma). Half of all Imbruvica users are Medicare patients, but despite their health coverage, the *Wall Street Journal* reports that most of these patients shouldered out of pocket costs that exceeded \$7,000. For seniors, many of whom are on fixed incomes, this is unsustainable. More must be done.

Medicare is one of the largest purchasers of prescription drugs in the country. The Congressional Budget Office (CBO) estimates that Part D spending will total \$97 billion in 2016. Yet, under current law, drug prices are negotiated directly between pharmaceutical companies and private insurance companies that contract with the government to deliver the Medicare drug benefit. This prevents the Department of Health and Human Services from leveraging the purchasing power of nearly 39 million Part D Medicare beneficiaries to get the best drug prices possible.

The Solution

To tackle rising drug prices, the Secretary of HHS must be given the power to negotiate with pharmaceutical companies on behalf of all Medicare beneficiaries. Researches have estimated that the federal government could save between \$16 and \$24 billion annually if it could pay prices similar to those paid by Medicaid or the Veterans Health Administration. Americans have consistently supported this policy, with 83% of respondents in a recent Kaiser Family Foundation poll reporting support for Medicare price negotiations.

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This bill would eliminate the prohibition against such negotiations and would allow Medicare to adopt negotiation tactics used by other federal agencies, including the Department of Veterans Affairs. The legislation also directs the Secretary of Health and Human Services (HHS) to prioritize negotiations for the highest-cost drugs, including those that account for high levels of spending and those with dramatic price spikes.