April 8, 2013

United States Senate
Washington, DC 20510

United States House of Representatives
Washington, DC 20515

Dear Senator or Representative:

The undersigned organizations write to express our support for restoring drug rebates to the Medicare program as reflected in the *Medicare Drug Savings Act of 2013*. Our organizations share a commitment to advancing the health and economic security of older adults, people with disabilities and their families. Since 1965, Medicare has ensured access to guaranteed health care benefits for older adults and people with disabilities, and today Medicare provides health coverage to 50 million Americans.[1] We understand the fiscal challenges facing our health care system, and we stand willing to work with Congress to find savings that rein in health care inflation without burdening families with added health care costs.

Rather than cutting Medicare benefits, we believe that securing lower drug prices must be a part of any legislative effort to achieve Medicare savings. Many people with Medicare cannot afford to pay more for health care. Nearly 25 million beneficiaries—half of the Medicare population—live on annual incomes of $22,500 or less. Further, people with Medicare already spend a significant amount on health care. The average Medicare household spends 15% of their total income on health care expenses, three times that of non-Medicare households.[2] Despite these facts, some of the most discussed proposals to reduce the nation's deficit achieve savings by shifting costs to people with Medicare.

The *Medicare Drug Savings Act of 2013* offers a worthwhile alternative to this approach, strengthening the Medicare program's fiscal footing while shielding beneficiaries from harmful cost shifting. The Congressional Budget Office (CBO) estimates that restoration of Medicaid-level drug rebates for low-income Medicare beneficiaries would save the federal government **$141 billion** over ten years. As federal budget negotiations continue, we urge you to consider the following critical facts:

- **Americans strongly support allowing Medicare to secure lower prices drugs.** According to a recent national poll, **85% favored** "requiring drug companies to give the federal government a better deal on medications for low-income people on Medicare."[3]

- **Implementing Medicare drug rebates is not new law.** Upon passage of the Medicare Modernization Act (MMA), millions of older adults and people with disabilities gained access to

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[1] Kaiser Family Foundation, Policy Options to Sustain Medicare for the Future (January 2013)
[2] Kaiser Family Foundation, Policy Options to Sustain Medicare for the Future (January 2013)
[3] Kaiser Family Foundation, Robert Wood Johnson Foundation and the Harvard School of Public Health, The Public's Health Care Agenda for the 113th Congress (January 2013)

prescription drug coverage through private plans approved by the federal government, known as Medicare Part D. At the same time, the MMA severely limited the tools available to the federal government to control spending on pharmaceutical drugs in Medicare.

In particular, the MMA eliminated rebates offered by pharmaceutical manufacturers for drugs provided to beneficiaries dually eligible for Medicare and Medicaid. Applying Medicaid-level rebates to Medicare drugs simply restores a practice that existed for dually eligible beneficiaries prior to the passage of the MMA.

- **Restoring drug rebates to the Medicare program is a proven cost saver.** Already the Medicaid program benefits from lower drug prices due to federally determined rebates on brand name and generic medications. A 2011 comparison of 100 brand name drugs under Medicaid and Medicare Part D found that Medicaid rebates required by law reduced expenditures by 45% for the drugs under review. Whereas, Medicare rebates secured by private drug plans reduced expenditures by only 19%.[4]

- **Pharmaceutical spending on research & development is not at risk.** Studies show that research and development investments in particular types of drugs are not directly linked to specific revenue sources, such as Medicaid. These findings, coupled with an examination of industry spending trends, suggest that reinstating Medicare drug rebates will not limit research and development.[5] We reject the argument that pharmaceutical manufacturers will be unable to fulfill their commitment to innovation if the Medicare program is allowed to secure more reasonable drug prices.

- **Applying Medicare drug rebates will not shift costs to Medicare beneficiaries or employers.** Some stakeholders claim that applying Medicaid-level drug rebates for low-income Medicare beneficiaries will increase costs for other Part D beneficiaries, but research supports otherwise. The same research suggests that costs for purchasers outside of Medicare—namely employers— will be largely unaffected if the Medicare rebates are restored.[6]

The *Medicare Drug Savings Act of 2013* adopts a principled approach to controlling Medicare spending that protects beneficiaries unable to afford even higher health care costs. We urge you to enhance the federal government's ability to bring down the price of pharmaceutical drugs, including through the restoration of Medicare drug rebates for low-income beneficiaries.

Sincerely,

AARP
AFL-CIO
AFSCME
Alliance for a Just Society

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[4] Department of Health and Human Services, Office of the Inspector General, Higher Rebates for Brand-Name Drugs Result in Low Costs for Medicaid Compared to Medicare Part D (August 2011)
[5] R. Frank, Prescription Drug Procurement and the Federal Budget (Kaiser Family Foundation: May 2012); FamiliesUSA, No Bargain: Medicare Drug Plans Deliver High Prices (January 2007)
[6] R. Frank and J. Hoadley, The Medicare Part D Drug Rebate Proposal: Rebutting An Unpersuasive Critique (Health Affairs Blog: December 2012)

Alliance for Retired Americans
American Federation of Teachers (AFT)
B'nai B'rith International
Campaign for Community Change
Center for Effective Government
Center for Medicare Advocacy
Communications Workers of America
Community Catalyst
Community Organizations in Action
Consumers Union
Families USA
Health Care for America Now (HCAN)
International Brotherhood of Teamsters
International Union, UAW
Medicare Rights Center
National Association of Professional Geriatric Care Managers
National Committee to Preserve Social Security and Medicare
National Consumer Voice for Quality Long-Term Care
National Education Association (NEA)
National Nurses United
National Organization for Women (NOW)
National Senior Citizens Law Center
NETWORK, A National Catholic Social Justice Lobby
OWL – The Voice of Older and Midlife Women
PHI – Quality Care through Quality Jobs
Raising Women's Voices for the Health Care We Need
Service Employees International Union (SEIU)
Social Security Works
Strengthen Social Security Coalition
United Mine Workers of America
United Steelworkers (USW)