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COLLOQUY ON NEGOTIATING PRESCRIPTION DRUG DISCOUNTS

Senators Baucus, Feinstein and Grassley

MR. BAUCUS: One of the criticisms that some have raised about the conference report is the provision that prevents the Department of Health and Human Services Secretary from interfering in the negotiations between private prescription drug plans, drug manufactures, and pharmacies.

MS. FEINSTEIN: Yes, we have heard this criticism often during the debate. And I believe it is important to clarify that this bill will ensure that seniors pay less for prescription drugs than they pay today.

MR. BAUCUS: I also believe it is important that we clarify the purpose of the non-interference language. This language is not intended to pad the pockets of drug manufactures. It is not intended to pad the pockets of the insurance companies.

MR. GRASSLEY: The purpose of this bill is to ensure that Medicare beneficiaries get the benefit of negotiated discounts that the private sector is able to achieve. We want seniors, who today pay the highest prices, to have access to discounted prices. And we also don't want to see the situation we have today with Part B covered drugs. Isn't it true that the federal government dramatically overpays for the drugs that are currently covered under Medicare today?

MR. BAUCUS: Yes, that is true. The HHS Inspector General has been urging Congress to end these overpayments for years. The conference report addresses these overpayments, while ensuring fair reimbursements for oncologists and other affected physicians to ensure that patient care remains unaffected. Moreover, I think it is important that members of Congress understand the strong consumer protections that are in place to ensure that they receive access to an affordable drug plan, one that provides access to the prescription drugs that they need.

MS. FEINSTEIN: Isn't it also true that if a plan chooses to use a formulary, it must include at least two drugs in each therapeutic category or class, unless the category or class only has one drug and that the plan must use pharmacy and therapeutic committees that consist of practicing physicians and pharmacists to design their formularies?

MR. BAUCUS: Yes, this is true. It is also true that the Secretary is prevented from approving a drug plan that charges too high of a premium. The premium must reasonably and equitably reflect the costs of the benefits.

MR. GRASSLEY: Isn't this requirement the same standard that applies to the Federal Employees Health Benefits Plan?

MR. BAUCUS: Yes, the same one. And I think it is also important to note that conference report has a requirement for a government-backed fallback plan if fewer than two plans are available. This government-backed plan is required to negotiate prices with drug manufactures. And if the fallback plan is unable to negotiate good discounts on its own, then the Secretary will be able to intervene as appropriate to negotiate to achieve lower prices.

MS. FEINSTEIN: In addition, I also think it is important to note that the Congressional Budget Office (CBO) has estimated that the net price increase for prescription drugs under this bill will be 3.5 percent. CBO also found that drug plans bearing full statutory risk levels are estimated to produce an overall higher cost savings of 20 to 25 percent for prescription drugs under this bill, as compared to the 12 to 15 percent that CBO believes is achieved by private prescription benefit managers today. According to CBO, prescription drug prices should be cheaper under this bill. I would like my colleagues to know that should CBO's estimates of the higher savings by drug plans in this bill prove to overestimate prescription drug savings to seniors, I intend to introduce legislation that will provide seniors with lower drug prices.

MR. GRASSLEY: Yes, CBO estimates that under the conference report seniors will be offered average greater savings even under the Senate bill. The price for prescription drugs will almost certainly be lower than the prices seniors who do not have drug coverage pay today.