AMERICANS for TAX REFORM

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T: (202)785-0266

F:(202)785-0261

www.atr.org

Re: ATR Opposition to H.R. 275, Legislation That Replaces the Free Market Competition in Medicare Part D with Government Forced Negotiation

January 16, 2019

Dear Member of Congress:

I write in opposition to H.R. 275, legislation introduced by Congressman Peter Welch (D-Vt.), co-sponsored by a number of Democrats and Francis Rooney (R-Fla.) as the lone Republican.

This legislation replaces free-market, private sector negotiation in Medicare Part D with government mandated prices and coerced negotiation. **It would be a mistake to consider this legislation bipartisan merely due to the misguided co-sponsorship of Rep. Rooney. This proposal has long been a priority of the progressive left as part of their push for government control over the American healthcare system.**

Medicare Part D is successful because it promotes free market competition in order to deliver cost-effective outcomes for patients and taxpayers. Rather than having the government negotiate, Part D allows negotiation between pharmacy benefit managers (PBMs), pharmaceutical manufacturers, and pharmacies.

This system works because Congress created a non-interference clause when Part D was created which prevents the secretary of Health and Human Services (HHS) from interfering with the robust private-sector negotiations.

Since the law's enactment, the program has proven to be a successful model of healthcare by saving taxpayers **billions of dollars** and granting patients access to medicines at **low costs**.

Under this system, plans are free to compete based on the goal of maximizing access and minimizing coverage costs.

Federal spending on Part D has come in **45 percent below projections** - the CBO estimated in 2005 that Part D would cost $172 billion in 2015, but it has cost less than half that – just $75 billion.

Monthly premiums are also just half the projected amount, while 9 in 10 seniors are **satisfied** with the Part D drug coverage.

H.R. 275 would destroy this successful system by allowing the government to set prices and override existing negotiation. Prices would be set on an arbitrary basis rather than through the free market. This would have several adverse consequences.

First, it would harm the incentive for manufacturers to innovate because there are fewer profits available to finance the next generation of life-saving and life-improving prescription medicines. In turn, this will result in higher long-term healthcare costs because illnesses need to be treated in a reactive, not proactive way.

Second, restricting innovation will also harm access. The U.S. is currently a world leader in medical innovation and access because it promotes innovation and free market competition. As a result, the majority of cures are developed in the United States and are launched years before other developed nations have access to them.

For instance, the US had access to 95 percent of the dozens of cancer drugs launched between 2011 and 2018. By comparison, the U.K had access to 74 percent, Japan had access to 49 percent, and Greece had access to 8 percent of these cancer drugs.

Finally, government-controlled pricing will harm the high-paying jobs that come from research and development of new medicines.

This legislation would erode the successful, market-based structure of Medicare Part D. The program already delivers medicines to seniors in an efficient way that balances cost and access. Replacing the free market competition of Medicare Part D with top down government control will lead to reduced access, higher prices, and less innovation.

All members should oppose this legislation.

Onward,

Grover G. Norquist
President, Americans for Tax Reform