



July 24, 2019

The Honorable Chuck Grassley, Chairman
The Honorable Ron Wyden, Ranking Member
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington D.C. 20510

Dear Chairman Grassley, Ranking Member Wyden, and Members of the Committee:

On behalf of National Taxpayers Union, I write urging you to support any amendment to The Prescription Drug Pricing Reduction Act (PDPRA) of 2019 that removes provisions of the bill establishing inflation caps for drug price increases in Medicare Part D.

While it is commendable that the Committee seeks to tackle rising drug costs for Medicare and Medicaid beneficiaries, we are deeply concerned that the inflation cap rebates this bill calls for represent ineffective and potentially counterproductive government price controls.

As NTU noted in an Issue Brief we released last December, and shared with the Committee earlier this month:

“Price controls have some appeal because in the near future, they appear to deliver lower costs to consumers. Unfortunately, they come with consequences. According to a 2008 Rand Institute study of drug price controls: ‘In general, price controls reduced life expectancy over time. The price control scenario simulated the effect of a 20-percent reduction in manufacturer revenue while holding consumers’ out-of-pocket prices constant. Price controls would have small negative effects on life expectancy for current cohorts, but more significant negative effects in the future ... The results illustrate that imposing price controls would offer a modest benefit to the current generation but pose substantial risks and potentially high costs for later ones.’”¹

Some have argued that inflation caps are not price controls, as drug manufacturers will continue to be able to charge whatever they want for drugs.² However, the larger the difference between this government-imposed cap (on a program with tens of millions of enrollees) and the market price for a drug, the more plan sponsors and drugmakers will seek to recoup those costs elsewhere. This could work against the Committee’s mission to lower health care costs for Americans.

¹ Sepp, Pete. “Prescription Drug Costs: Better Ways to Help Patients and Taxpayers.” NTU Issue Brief, December 6, 2018. Retrieved from: <https://www.ntu.org/library/doclib/2018/12/Prescription-Drug-Costs-Better-Ways-to-Help-Patients-and-Taxpayers.pdf> (Accessed July 24, 2019.)

² Roy, Avik. “Inside The Pharmaceutical Lobby’s Campaign For More Government Subsidies Through Medicare Part D.” Forbes, July 19, 2019. Retrieved from: <https://www.forbes.com/sites/theapothecary/2019/07/19/inside-the-pharmaceutical-lobbys-campaign-for-more-government-subsidies-through-medicare-part-d/#4debbd42393c> (Accessed July 24, 2019.)

The inflation caps in PDPRA will also undermine the elements of Medicare Part D that are working well. In particular, the program has been so successful in part because it was designed with the free market in mind. Average monthly premiums for Part D actually decreased from 2018 to 2019,³ enrollment has more than doubled since 2006,⁴ and spending per enrollee in 2013 (\$1,772) was 47 percent less than originally projected by the Medicare Trustees (\$3,367).⁵ Government cost controls would threaten the program's progress.

While we have further concerns with this legislation, we believe it would be improved by removing the inflation caps on drug increases in Medicare Part D. NTU urges Senators to support any amendments removing these provisions, and we look forward to working with the Committee to make further improvements to the underlying bill. Thank you for your consideration, and should you have any questions, I am at your service.

Sincerely,

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³ Cubanski, Juliette, Damico, Anthony, and Neuman, Tricia. "10 Things to Know About Medicare Part D Coverage and Costs in 2019." Kaiser Family Foundation, June 4, 2019. Retrieved from: <https://www.kff.org/medicare/issue-brief/10-things-to-know-about-medicare-part-d-coverage-and-costs-in-2019/> (Figure 5; Accessed July 11, 2019.)

⁴ Ibid. (Figure 1; Accessed July 11, 2019.)

⁵ Kirchoff, Suzanne M. "Medicare Part D Prescription Drug Benefit." Congressional Research Service, Updated August 13, 2018. Retrieved from: <https://crsreports.congress.gov/product/pdf/R/R40611> (Table 11; Accessed July 11, 2019.)