



July 12, 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 to thank you for your efforts to address prescription drug costs. We are very interested in examining any proposals that come from the Committee.

However, we are concerned about reports that a package reforming Medicare Part D may include “[l]imiting price increases in Part D to the inflation rate.”¹ We encourage the Committee to avoid legislation that imposes an inflation cap on Medicare Part D drug prices, which would amount to an ineffective and potentially counterproductive government price control.

Medicare Part D’s free-market structure has made it much more successful than public health programs that feature a heavy government hand. Average monthly premiums for Part D plans have risen less than \$7 since 2006, and actually decreased by eight percent from 2018 to 2019.² Enrollment has more than doubled since 2006, from 22 million to 44.9 million.³ Despite declining premiums and rising enrollment, Medicare Part D cost 36 percent less from 2004-2013 than the Congressional Budget Office (CBO) originally projected.⁴ Spending per enrollee in 2013 (\$1,772) was 47 percent less than originally projected by the Medicare Trustees (\$3,367).⁵ Compare these results to the state of Medicare Part A, whose trust fund is projected to run out in 2026.⁶

Unfortunately, government-mandated price controls like an inflation cap would ultimately limit Americans’ unparalleled access to life-saving drugs through Medicare Part D. As NTU noted in an Issue Brief we released last December:

¹ Owens, Caitlin. “Senate considering big changes to how Medicare pays for drugs.” Axios, July 10, 2019. Retrieved from: <https://www.axios.com/senate-considering-big-changes-to-how-medicare-pays-for-drugs-01e21ca5-d2e8-466d-93f6-bdf7717ffe3b.html> (Accessed July 11, 2019.)

² 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.)

³ Ibid. (Figure 1; Accessed July 11, 2019.)

⁴ Kirchhoff, 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 12; Accessed July 11, 2019.)

⁵ Ibid. (Table 11; Accessed July 11, 2019.)

⁶ “2019 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.” The Board of Trustees, Federal Hospital Insurance Federal Supplementary Medical Insurance Trust Funds, April 22, 2019. Retrieved from: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2019.pdf> (Accessed July 11, 2019.)

“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.’”⁷

Fortunately, there is a better path forward, and we urge Congress to:

- Pursue trade deals that “achieve the elimination of government measures such as price controls and reference pricing which deny full market access for United States products,” as directed by the Bipartisan Congressional Trade Priorities and Accountability Act. This legislation was introduced in the 114th Congress and supported by former Committee Chairman Hatch and by Ranking Member Wyden.⁸
- Continue the positive trend of rising generic drug utilization in Medicare Part D. According to a 2018 report from the U.S. Department of Health and Human Services, in 2014 “85% of prescriptions paid by Medicare Part D plans were for generics, up from 61% in 2007.” The same report noted that higher generic drug utilization in Medicare Part D could yield billions of dollars more in savings for taxpayers and beneficiaries.⁹

We are also interested to see how the Committee plans to address Part D’s catastrophic phase, given that taxpayers are on the hook for 80 percent of costs above the catastrophic threshold. These costs make up a plurality of Medicare Part D expenditures.¹⁰

The Committee’s attention to rising prescription drug prices is commendable, and NTU stands ready to pursue solutions that maintain and improve a robust free market for health consumers. However, we urge you to reject proposals that would apply harmful price controls to the Part D program. Thank you for your consideration, and should you have any questions, I am at your service.

Sincerely,

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⁷ 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 11, 2019.)

⁸ United States Cong. Senate. Committee on Finance. “S.995 - Bipartisan Congressional Trade Priorities and Accountability Act of 2015.” 114th Cong. 1st Session. Retrieved from: <https://www.congress.gov/bill/114th-congress/senate-bill/995/text> (Accessed July 11, 2019.)

⁹ U.S. Department of Health and Human Services Office of the Assistant Secretary for Planning and Evaluation. (2018.) “Savings Available Under Full Generic Substitution of Multiple Source Brand Drugs in Medicare Part D.” Retrieved from: <https://aspe.hhs.gov/system/files/pdf/259326/DP-Multisource-Brands-in-Part-D.pdf> (Accessed July 11, 2019.)

¹⁰ Ibid., 4.