Harness Medicare's Purchasing Power to Negotiate Lower Drug Prices

On July 25th, U.S. Rep. Lloyd Doggett (D-Texas) introduced legislation (H.R. 6505) to allow Medicare to negotiate prices directly with pharmaceutical corporations and authorize generic competition when negotiations fail. The Medicare Negotiation and Competitive Licensing Act would authorize the secretary of the U.S. Department of Health and Human Services (HHS) to negotiate directly with pharmaceutical manufacturers for Medicare Part D, the prescription drug benefit, just as the government does for veterans through the Veterans Health Administration (VA) today.

This authority would not amend existing Medicare coverage requirements. The goal is to achieve a reasonable price that encourages continued innovation and research. If negotiation with a manufacturer fails, the HHS Secretary would authorize generic competition to facilitate reasonable pricing. **Currently, the bill has 85 co-sponsors in the House, making it the most widely supported bill on drug pricing in Congress today.**

- **Negotiation Isn't New.** Most major medicine purchasers worldwide reserve the right to negotiate for lower prices. Yet even though Medicare Part D is the largest drug purchaser of all, a single sentence under law prohibits Medicare from negotiating. This is the "noninterference clause."

- **Get the Best Deal.** The Medicare Negotiation and Competitive Licensing Act would strike the noninterference clause and require the Secretary of HHS to negotiate drug prices with manufacturers.

- **Save Money.** Medicare Part D pays on average 73% more than Medicaid and 80% more than the VA for brand-name drugs. Medicare could save $16 billion a year if it secured VA prices.

- **Increase Generic Competition**. When a manufacturer refuses to offer a reasonable price (considering factors including financial burden on patients and the drug's effectiveness), the Secretary will license patents or other exclusivities related to the drug so that qualified generics can enter the market and compete. Robust generic competition has consistently proven the most effective method to reduce medicine prices over time.

- **Leverage During Negotiations.** This power to introduce competition would give Medicare leverage in price negotiations, because above all, drug corporations do not want to lose their monopolies.

- **Access for All -- No Rationing**. Competitive licensing means Medicare can refuse one corporation's price and still purchase the medicine from another manufacturer, providing in turn the needed treatment to patients. This fallback mechanism puts the monopoly at risk rather than the patient.

- **Reward the Originator's Innovation**. Under a competitive license the patent holder would be paid a royalty rate based on research and development costs and the health benefits derived from the drug.

- **Get the Same Deals as Other Countries**. When negotiations fail and a competitive license is issued, the bill would provide an interim ceiling price while the competitive market takes shape. This international reference price would ensure Medicare does not pay more than prices paid in other countries. If a company refuses to sell at this reference price, the competitive license would be expanded to cover sale to all federal programs, rather than only Medicare Part D.

Co-sponsor the Medicare Negotiation and Competitive Licensing Act (H.R. 6505) today to help make medicines more affordable.