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# PhRMA battles Biden on proposal for Medicare to negotiate drug prices

If passed, the proposal would reduce revenue of the pharmaceutical industry by 40%, according to PhRMA.

**Susan Morse** ([/news/author/82001](#)), *Managing Editor*

[\(/news/author/82001\)](#)

Since President Joe Biden on August 12 proposed

<https://www.healthcarefinancenews.com/news/biden-pushes-lower-drug-prices-25-trillion-budget-proposal>) to have Medicare negotiate drug prices, the



Photo: Alex Wong/Getty Images

urging consumers to tell their elected officials to support the president's plan.

The Medicare negotiation push with the goal of lowering drug prices is part of a \$3.5 trillion budget proposal that narrowly passed the House last month. This advances with a roughly \$1 trillion infrastructure bill to the Senate, where it is expected to go through the process of reconciliation without GOP support.

PhRMA TV ads have said the move to have Medicare negotiate drug prices would take away consumer choice.

PhRMA CEO and President Stephen Ubl said by statement after Biden's August speech: "Unfortunately, the policies the president outlined today would undermine access to life-saving medicines and fail to address an insurance system that shifts the cost of treatments onto vulnerable patients. Many in Congress know that access to medicine is critical for millions of patients and Medicare is not a piggy bank to be raided to fund other, unrelated government programs. This is a misguided approach."

Ubl was referring to HR 3, the Elijah Cummings Lower Drug Costs Now Act, which would use the money saved in Part D negotiations to help offset the \$3.5 trillion spending bill. HR 3 passed the House in 2019 but was never voted on by the Senate.

PhRMA took its message a step further today by hosting an on-the-record virtual media briefing to discuss what it calls the dangers of current proposals on government price setting. It featured industry leaders from the PhRMA, Eli Lilly and Merck.

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David Ricks, chair of PhRMA and CEO of Eli Lilly said the proposal, if passed, would reduce the revenue of the pharmaceutical industry by 40%.

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HR 3 is a smokescreen for implementing government price controls to fund other priorities in the spending bill, he said.

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In a letter to Congress in May, AARP urged (<https://www.aarp.org/content/dam/aarp/politics/advocacy/2021/05/may-2021-hr-3-endorsement-letter-050721.pdf>) for passage of HR 3.

Innovation would suffer, according to PhRMA. The nonpartisan Congressional Budget Office (</directory/congressional-budget-office>) released a report (<https://www.cbo.gov/publication/57010>) last month that found that HR 3 would lead to 60 fewer new treatments in the next three decades.

"The new report from CBO makes one thing clear," Ubl said by statement. "Patients face a future with less hope under Congress' current drug pricing plan. ... Members of Congress shouldn't buy the false choice that we have to have fewer life-saving treatments to lower drug costs. Instead, policymakers should work with us on real solutions like capping out-of-pocket (</directory/out-pocket-payments>) costs in Part D, lowering cost sharing and spreading those costs over the calendar year, and making sure the savings negotiated with health plans are passed to patients."

PhRMA said the Kaiser Family Foundation (</directory/kaiser-family-foundation>) found (<https://catalyst.phrma.org/myth-vs.-fact-polling-and-medicare-negotiation>) that 65% of voters oppose government negotiations of drug prices when they learn it could "lead to less research and development of new drugs."

## **WHY THIS MATTERS**

National health policy expert Kenneth Thorpe said the only way Medicare can generate savings significant enough through negotiations is to have a national formulary for prescription drugs. This means that drugs available today may not

be available tomorrow.

"I think it would be widely unpopular," said Thorpe who served as Deputy Assistant Secretary for Health Policy for the U.S. Department of Health and Human Services (/directory/us-department-health-and-human-services-hhs) from 1993 to 1995. "That's what RBMs (reimbursement benefit managers) do" REIMBURSEMENT (/RESOURCE-TOPIC/REIMBURSEMENT) REVENUE CYCLE MANAGEMENT (/RESOURCE-TOPIC/REVENUE-CYCLE-MANAGEMENT)

These days, the focus is on primary care, education, for patients, said Thorpe, who is chairman of the Partnership to Fight Chronic Disease and the Robert W. Woodruff professor and chair of the department of health policy and management at the Rollins School of Public Health at Emory University. STRATEGIC PLANNING (/RESOURCE-TOPIC/STRATEGIC-PLANNING) CAPITAL FINANCE (/RESOURCE-TOPIC/CAPITAL-FINANCE) SUPPLY CHAIN (/RESOURCE-TOPIC/SUPPLY-CHAIN) ACCOUNTING & FINANCIAL MANAGEMENT (/RESOURCE-TOPIC/ACCOUNTING-FINANCIAL-MANAGEMENT) | MORE

Thorpe believes the country needs to take a broader perspective of what should happen to reduce the total cost of healthcare per person. Across the board, Americans spend twice as much as Europeans do for care, and the percentage of income consumers pay for drugs is higher.

Also, the availability of drugs to treat cancer, dementia and other diseases is limited in other countries compared to the United States, he said.

Thorpe believes that reducing out-of-pocket spending for drugs is crucial, especially as chronic disease accounts for 90% of drug spend.

One way to lower costs is through value-based insurance design, he said, such as what is being done in Medicare Advantage plans to eliminate cost sharing for drugs. The idea is to carve out the deductible to cap out-of-pocket spending.

"We could just expand that," Thorpe said.

Medicare-negotiated drug prices takes away the incentive for innovation, he said. It costs just under \$2 billion to take a drug to market, and out of 10 ideas, only one makes it.

"There's a lot of risk," he said.

## THE LARGER TREND

This isn't the first time Biden has proposed having Medicare negotiate drug prices. In May, Biden called on Congress (<https://www.healthcarefinancenews.com/news/biden-pushes-lower-drug->

prices-35-trillion-budget-proposal) to lower prescription drug prices as part of his administration's Fiscal Year 2022 Budget. During a joint address to Congress in April, the president called for lawmakers to work toward bipartisan solutions to lower prescription drug prices, including giving Medicare the ability to negotiate drug prices.

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PhRMA spokeswoman Sarah Sutton issued this statement in lieu of an interview:

"Medicare 'negotiation' would ultimately allow the government to interfere in decisions that should be left to patients and their doctors, and as Congress's own nonpartisan experts have warned, similar proposals will lead to fewer new cures and treatments from reaching patients."

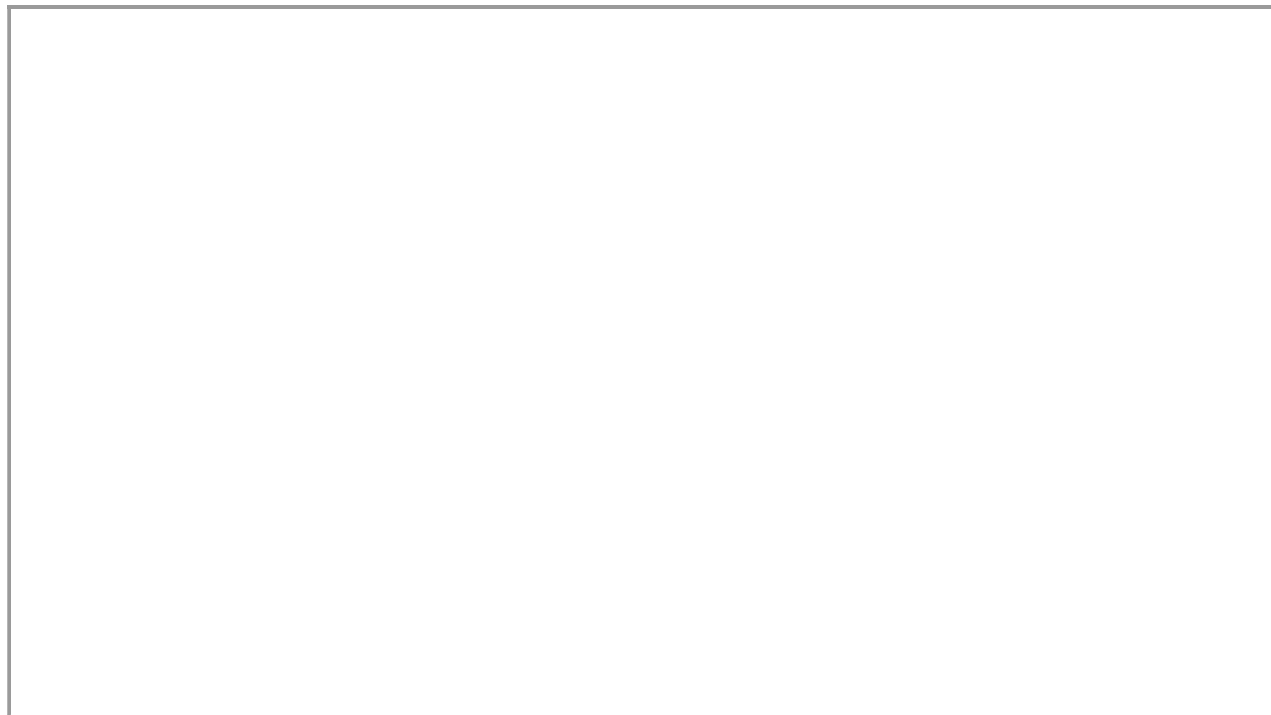
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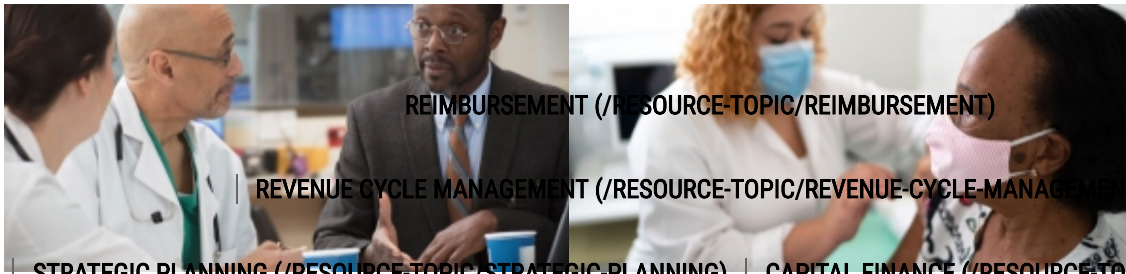
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## Healthcare organizations ask HHS to delay quality measure reporting for AGOs

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The American Hospital Association and American Medical Association are among the 11 organizations signing the letter.

## Ending racism in healthcare often begins with medical education, and is the target of a new national project

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Inequities can be found in every facet of the industry, but targeting medical students and residents can help stem the tide.

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