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The NRLN advocates the rights of more than 2 million American retirees from...

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October 16, 2013

The Honorable Paul Ryan, Chairman
House Budget Committee
U.S. House of Representatives
1233 Longworth House Office Building
Washington, DC 20515-4901

Dear Chairman Ryan:

You may recall that in February of this year you took a few minutes to meet with Bill Simmons, one of your constituents, and myself plus two other members of the National Retiree Legislative Network (NRLN). The reason for this letter is to express the NRLN's grave concerns over some of your statements in the October 8th Op-Ed piece in the Wall Street Journal. It is our conclusion that you would like to reduce the national debt on the backs of America's retirees through "structural reforms to entitlement programs". We suspect that your real meaning is that you want to reduce benefits, if not for current retirees on Social Security and Medicare, then for future participants in the programs.

Referring to Social Security and Medicare as "entitlement programs" is offensive to retirees who worked for decades and paid payroll taxes into these programs along with contributions from their employers. Social Security and Medicare are generational compacts. Today's retirees helped to pay for their parents. Our children, as workers, help pay for us just as their children will for them, if necessary.

In order to help resolve the budget deficit, Congress should address any long-term funding gap by focusing on modest increases in the payroll tax rate (possibly between 0.5% and 1.5%) and increase the cap on maximum wages subject to the tax until the Social Security Trust is again adequately funded actuarially. There is no need to reduce Social Security Cost of Living Allowances (COLAs), impose means-testing or make other cuts in benefits. The Medicare tax should be increased on workers and employers until such time as payroll taxes can again fund 60-65% of the Medicare budget.

America's retirees are shouldering the burden of higher health care costs, reduced savings and declining housing values. This growing population can't withstand more financial pressure.

Retirees have been seeking relief from the high cost of prescription drugs, and although you did not reference this issue in the op-ed piece, I want to reiterate to you that it is imperative that Congress finally and meaningfully come to terms with several proposals that have been discussed on Capitol Hill in the past but have gone no further. The NRLN has long been advocating the following:

- When we talked in February you said you had voted for re-importation and importation of FDA-approved prescription drugs. However, you said that as Chairman of the House Budget Committee you could not bias the outcome by campaigning for importation. A whitepaper researched and written by the NRLN estimates that importation of prescription drugs would save U.S. consumers 5% of the \$4.7 trillion in total U.S. drug expenditures over the next ten years, a savings of \$235 billion. These are dollars that could be spent otherwise to stimulate the nation's economy.
- While Wisconsin residents can drive across the border into Canada and receive significant savings on prescription drugs, most Americans can't do that. A law in Maine took effect in October that allows direct purchase of mail-order prescription drugs from some unlicensed foreign pharmacies. The law, the first of its kind in the nation, has ignited a court battle with the pharmaceutical industry. Among the allegations in the lawsuit is that prescription drugs shipped to Maine by foreign pharmacies are not subject to any quality and safety controls. If Congress were to support importation, the Maine law—and possibly similar legislation by other states in the future—would not be necessary. The House should re-introduce a bill that would allow for the importation and re-importation of safe, lower priced prescription drugs from countries approved by the FDA. The **Pharmaceutical Market Access and Drug Safety Act of 2011** was on the right track.
- NRLN also supports competitive bidding for prescription drugs for Medicare. Medicare competitive bidding should be encouraged under all circumstances instead of only when generic drugs can compete with name brand drugs whose patents have expired. A looming danger is that today's brand manufacturers are a rapidly growing segment of the generic manufacturing business and are capturing market share but also want to hang onto profit margins that are 3 to 4 times the average of Fortune 500 companies. Unless Congress authorizes Medicare to require head-to-head bids from generic manufacturers for Medicare's generic business, generic prices will rise. Competitive bidding would reduce prescription drug costs and provide a Medicare savings of 5% of \$978.9 billion or \$48.9 billion over the same period.
- NRLN members are extremely disappointed that **H.R.1102, the Medicare Prescription Drug Price Negotiation Act of 2013**, has been languishing in a subcommittee since it was introduced on March 12, 2013. The bill would direct Health and Human Services to negotiate with drug firms the prices that may be charged to Medicare Part D and Medicare Advantage. A companion bill (**S.117**) has been pending in Senate since January 23, 2013.
- The House should also introduce a companion bill to **S.214, the Preserve Access to Affordable Generics Act**. **S.214** has been in the Senate since February 4, 2013. This bill would put an end to the practice of brand-name drug firms using pay-for-delay agreements to keep generic equivalents off the market. The Supreme Court ruled on June 17, 2013 that brand-name drug makers can be sued for violating antitrust laws if they make a deal to pay a potential competitor to delay selling a generic version of a brand-name medicine. **S. 214** needs to be enacted to make pay-for-delay illegal so cases are not dragged through the courts for years while Americans are denied cheaper generic drugs.

Why is the House so reluctant to take action on prescription drug legislation that would yield tremendous savings? Our members in the NRLN expect Congress to do what is right for retirees. There has been no indication that the House of Representatives feels pressed to deal with the high cost of prescription drugs which has an enormous impact on a vast portion of the country's population. In fact, it appears that this is not simply indifference to the realities facing retirees, but an all-out attack on retirees in your district in Wisconsin and across the nation.

Respectfully, Mr. Chairman, I submit to you that retirees are seeing the power of pharmaceutical companies in the halls of Congress, walking in tandem with those who seek to cut the budget on the backs of those whose only political clout is at the polls on election day. I am writing to you very frankly because retirees like myself are very disappointed in what we read in your column. We expect better from our representatives but remain hopeful that as Chairman of the Budget Committee you will look carefully at all areas of government expenditure where we know there is tremendous waste, and not put retirees in harm's way.

Please let us know how we can assist in finding a fair solution and contact Marta Bascom, the NRLN's Executive Director at executivedirector@nrln.org or call 703-863-9611.

Sincerely,



Bill Kadereit, President

National Retiree Legislative Network

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