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From: NRLN President Bill Kadereit  
Subject: Need Remains to Cut Prescription Drug Costs

As most people enrolled in Medicare know, Medicare Part D provides prescription drug benefits to Americans on Medicare. The standard Medicare Plan D benefit comes with a \$310 deductible. After you've spent \$310, you pay 25% of the cost of your prescriptions until the total cost of all the medicine you have received in a year hits \$2,830. Then, you are stuck with 100% of the bill until the total cost of your medicines hits \$6,440. The gap when Medicare does not cover the cost of your prescription drugs is known as the "donut hole."

According to the U.S. Department of Health and Human Services, Medicare Part D participants who reach the prescription drug "donut hole" in 2010 will receive a \$250 rebate with the checks starting to go out June 15, 2010. There's no application process and no private company will be involved in getting your rebate check to you if you are eligible.

Beginning in 2011, seniors in the "donut hole" will receive a 50% discount on prescription drugs. By 2015, you will be responsible for 45% of the cost; by 2018, your share will be reduced to 35%. For generic drugs, your costs will be reduced 7% each year, beginning in 2011. In 2015, you will pay 65% of the cost of generic drugs; by 2018, you will pay 44%. Medicare's share of costs will increase so that the "donut hole" will be completely closed in 2020.

While the NRLN did not support or oppose all elements of the new health care reform law, we did and still do advocate closing the "donut hole." But closing the "donut hole" is not a solution for getting ever-escalating prescription drug costs under control for retirees and other Americans. We endorsed and lobbied for proposed changes to enhance global competition and to eliminate what are known to be non-competitive practices. Proposals were actually included in the reform bills but did not survive prescription drug and insurance industry lobbyists who spent hundreds of millions of dollars to defeat progress.

The NRLN continues to use its whitepaper written last year to advocate with members of Congress and their staffs the need for legislation to reduce the cost of prescription drugs. The NRLN is seeking legislation to accomplish the following: (1) Enable re-importation and importation of safe, FDA approved prescription drugs; (2) Enable Medicare to develop formularies and take competitive bids for prescription drugs; (3) Staff and fund the FDA to reduce the generic drug approval backlog; (4) Prevent drug companies from colluding to subvert free market practices. We must continue to remind Congress that until they demand truly competitive markets year-over-year cost and profit increase will not be stopped.

The NRLN recognizes that many of our Grassroots Network members are concerned that introducing more competition into the U.S. pharmaceutical industry could compromise the quality of prescription drugs for American consumers. The fact is that most pharmaceutical ingredients used by American companies are currently manufactured overseas.

A January 20, 2009 New York Times article revealed that "the critical ingredients for most antibiotics are now made almost exclusively in China and India." The same is true for other crucial medicines used for such things as diabetes and high blood pressure."

"Drug labels often claim that the pills are manufactured in the United States, but the listed manufacturing plants are often the sites where foreign-made drug powders are pounded into pills and packaged," according to the New York Times.

American drug manufacturers are a part of the offshore problem. Ingredients and pills processed offshore are sold into foreign countries at much lower prices than in the U.S. This places the American consumer in the position of having to pay excessive prices that effectively subsidize foreign cost of sales and expenses.

A recent study showed that American pharmaceutical companies raised prices on their brand-name drugs by 9.3% and on specialty drugs by 10.3% during the same period that the overall consumer price index fell by 0.3%. The NRLN believes these levels of price increases on prescription drugs are unacceptable, especially when retirees must buy their medicines with limited, fixed incomes. The NRLN will continue its efforts to gain legislation to introduce more competition to break the stranglehold that drug companies have on Americans.

Bill Kadereit  
President, National Retiree Legislative Network