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BAUCUS PLAN WILL ALLOW PRICE NEGOTIATION IN MEDICARE DRUG BENEFIT

Finance Committee will consider Chairman's Mark in Thursday business meeting

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today unveiled a plan that will allow the Secretary of Health and Human Services to negotiate better drug prices for seniors in the Medicare prescription drug benefit. Baucus has released a “chairman’s mark,” to be considered at a business meeting of the committee at 6:40 p.m. on Thursday, that strikes the language in the 2003 Medicare Modernization Act that prohibits the HHS Secretary from interfering in price negotiations for the drug benefit. Striking that prohibition will allow the Secretary to negotiate for the fairest possible prices for seniors’ medicines. The MMA’s ban on government formularies and price controls will remain in place.

“We’re going to untie the Secretary’s hands to help seniors. When the market isn’t providing fair prices for some drugs seniors need, there should be a way to strike better deals,” said Baucus. **“And along with the much-needed power to negotiate, the Secretary will get better information to see where and when it’s needed.”**

Baucus’s chairman’s mark also includes provisions to make drug pricing more transparent. Understanding how drug prices are reached will help Congress and HHS to know when seniors are getting a good deal on drugs, and when they aren’t. Specific price breaks that drug plans negotiate with manufacturers will not be made public. The mark will give Congressional support agencies (the Medicare Payment Advisory Commission, Congressional Research Service, Congressional Budget Office, and Government Accountability Office) access to data – including the rebates, discounts, and other price concessions that drug plans are negotiating with manufacturers. The Congressional Budget Office, in particular, will be tasked with using this data to to inform Congress and HHS on how the drug plans are performing on a number of fronts, including:

- how much market competition affects drug prices in the Medicare benefit,
- a comparison of discounts in the Medicare benefit and Medicaid,
- whether discounts cause drugs to be used more or less in the benefit, and
- whether efforts by the Secretary to negotiate prices in the Medicare drug benefit end up affecting drug prices outside the benefit.

The chairman’s mark also includes provisions to help determine which drugs are the most effective treatments for seniors. The mark will:

- require the HHS Secretary to develop a prioritized list of comparative effectiveness research studies. This can help doctors and patients make the best decisions about drugs for medical treatment, particularly for the most widely purchased medicines in the drug benefit. These can include studies that compare drugs to other drugs, as well as drugs to other items and services, such as medical procedures and devices that may be used.

- requires the Secretary to form and publicly consult with an advisory committee made up of doctors, drug plans, drug manufacturers, and others in developing the list of priority studies.
- requires prescription drug plans to use comparative effectiveness research in developing their formularies. This will improve the cost-effectiveness of drug treatments purchased through the Medicare benefit.

“This is a smart, targeted change to the Medicare drug benefit. This legislation will help to highlight places where drug prices may be out of whack, and then let the Secretary go to work,” said Baucus. **“Adding these tools into the drug benefit will make a difference for seniors for decades to come.”**

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