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MEMORANDUM

To: Reporters and Editors  
Re: Senate effort to allow government negotiations of Medicare drug prices  
Da: Wednesday, April 11, 2007

Late yesterday, the Congressional Budget Office issued a letter saying the Finance Committee chairman's approach allowing government negotiations of Medicare drug prices would have "negligible effect on federal spending" and that the government "would not obtain significant discounts from drug manufacturers across a broad range of drugs." Sen. Chuck Grassley, ranking member of the Committee on Finance, made the following comment on the CBO letter. As chairman of the Senate Committee on Finance, Grassley was the principal Senate author of the law establishing Medicare's first-ever prescription drug benefit, the *Medicare Prescription Drug, Improvement, and Modernization Act of 2003*.

"In January, the Congressional Budget Office and actuaries from the Centers for Medicare and Medicaid Services concluded that the House noninterference bill, H.R. 4, would not save the taxpayers money. This new letter from the Congressional Budget Office blows another hole in all the political pandering that's going on with this issue. Having the government set Medicare drug prices would block access to drugs that a senior might need, make it harder to get medicine at the local pharmacy, and result in higher drug prices for younger people and workers who don't have Medicare coverage. Because of these consequences, Republicans and Democrats across the board opposed government negotiation -- in fact, the language in the 2003 law was modeled after non-interference language that appeared in Kennedy and Daschle prescription drug bills that had been introduced -- until partisan Democratic leaders launched a campaign to smear the new prescription drug benefit. Unfortunately the sound bite isn't sound policy. It's bad for Medicare beneficiaries and other consumers alike. Nobody wins. I'm open to ideas to make Medicare's prescription drug benefit work better for Medicare beneficiaries and taxpayers. But a government takeover of Medicare plans' successful negotiations with drug companies is not the answer."