

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
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Office of the Actuary

DATE: February 11,

FROM: Richard S. Foster,  
Chief Actuary

TO: Mark B. McClellan,  
Administrator

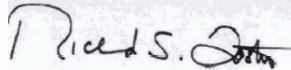
SUBJECT: Effectiveness of  
Medicare Prescription Drug

Under the Medicare Modernization Act, a new prescription drug benefit will be provided that can negotiate favorably with drug manufacturers and take other steps to manage utilization.

The past experience with Medicare prescription drug coverage has been reassuring. These drug coverage programs have prevented

In considering these issues, it is unlikely to achieve prescription drug coverage. Medicare prescription drug coverage. If you have any questions about this

*“we believe that direct price negotiation by the Secretary would be unlikely to achieve prescription drug discounts of greater magnitude than those negotiated by Medicare prescription drug plans responding to competitive forces.”*

  
Richard S. Foster, F.S.A.  
Chief Actuary

## *The Washington Post*

“Governments are notoriously bad at setting prices, and the U.S. government is notoriously bad at setting prices in the medical realm.”