

**The
Washington
Post**

“‘This is going to be much more of a morass than people think.’ Negotiating drug prices is ‘a feel-good kind of answer, but it’s not one that is easy to imagine how you put it in practice.’”

- Marilyn Moon, director of the health program at the American Institutes for Research and former trustee of the Social Security and Medicare trust funds,



“Governing is different than campaigning. The public would be best served if the new Congress conducts in-depth oversight to gather facts, rather than rushing through legislation within 100 hours to fix something that isn’t necessarily broken.”

Editorial 11/13/06



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

January 10, 2007

Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

At the request of your staff, the Congressional Budget Office has reviewed H.R. 4, the Medicare Prescription Drug Price Negotiation Act of 2007, introduced on January 5, 2007. The bill would revise section 1860D-4(b)(1)(B) of the Social Security Act to require the Secretary to negotiate prices for certain drugs.

CBO estimates that H.R. 4 would have a negligible effect on federal drug spending because we anticipate that the Secretary would be unable to negotiate prices across the broad range of covered Part D drugs that are more favorable than those obtained by PDPs under current law. Since the legislation directs the Secretary to negotiate only about the prices that could

Sincerely,

Donald B. Marron
Acting Director

cc: Honorable Joe Barton
Ranking Member

“CBO estimates that H.R. 4 would have a **negligible effect on federal spending** because we anticipate that the Secretary would be **unable to negotiate prices across the broad range of covered Part D drugs that are more favorable than those obtained by PDPs under current law.**”



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

January 10, 2007

Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

At the request of your staff, the Congressional Budget Office has prepared a report on the impact of H.R. 4, the Medicare Prescription Drug Price Negotiation Act introduced on January 5, 2007. The bill would revise section 1860D-4 of the Social Security Act to require the Secretary of Health and Human Services to negotiate with drug manufacturers for the purpose of obtaining significant discounts in his negotiations with drug manufacturers.

Secretary's ability to influence the outcome of those negotiations is limited. For example, without the authority to establish a formulary, we believe that the Secretary would not be able to encourage the use of particular drugs by Part D beneficiaries, and as a result would lack the leverage to obtain significant discounts in his negotiations with drug manufacturers.

Sincerely,

Donald B. Marron
Acting Director

cc: Honorable Joe Barton
Ranking Member

“without the authority to establish a formulary, we believe the Secretary would not be able to encourage the use of particular drugs by Part D beneficiaries, and as a result would lack the leverage to obtain significant discounts in his negotiations with drug manufacturers.”



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

January 10, 2007

Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

At the request of your staff, the Congressional Budget Office has reviewed H.R. 4, the Medicare Prescription Drug Price Negotiation Act of 2007, as introduced on January 5, 2007. The bill would revise section 1860D-1 (i) of

to control their costs and offer coverage that attracts enrollees through features such as low premiums and cost-sharing requirements. Therefore, the PDPs have both the incentives and the tools to negotiate drug prices that the government, under the legislation, would not have. H.R. 4 would not alter that essential dynamic.

Sincerely,

Donald B. Marron
Acting Director

cc: Honorable Joe Barton
Ranking Member

“the PDPs have both the incentives and tools to negotiate drug prices that the government, under the legislation, would not have.”