



January 5, 2007

Dear Representative:

Members of Congress will soon have the opportunity to build upon the strengths of the Medicare Modernization Act of 2003 (MMA) by making prescription drugs more affordable.

The MMA has afforded tens of millions of Medicare beneficiaries the opportunity to obtain needed medications at reduced cost. However, the rising cost of prescription drugs remains a serious concern and more must be done.

To advance the critical goal of making drugs more affordable under the MMA, AARP urges you to support H.R. 4, the "Medicare Prescription Drug Price Negotiation Act of 2007." We wish to commend Representatives Dingell, Emerson and Rangel for their leadership in sponsoring this important, bipartisan legislation.

H.R. 4 would repeal the non-interference language in the MMA which currently prohibits the Secretary of HHS from negotiating lower drug prices; direct the Secretary to commence such negotiations; and, to report the results of these negotiations every six months to key congressional committees. We are pleased the bill also contains language protecting beneficiary access to the broad range of drugs currently available under the MMA.

This common sense approach will give the Secretary the opportunity to develop a workable negotiation process, consistent with the structure of the Medicare drug benefit, to lower drug costs. By leveraging Medicare's significant buying power to augment the already strong foundation created by the MMA, we believe the Secretary can achieve additional savings for beneficiaries, while improving the long-term sustainability of the program and reducing costs for taxpayers.

Part D plans are achieving notable savings for enrollees. However, plans are not always able to exercise the kind of negotiating leverage that could result from Secretarial negotiation. For example, in the case of single-source drugs, plans currently have little choice but to accept the high prices set by manufacturers. As a result, neither beneficiaries nor the program capture the full potential for discounts across the range of drugs offered by plans. The Congressional Budget Office stated in a 2004 letter that, "Giving the Secretary an additional tool – the authority to negotiate prices with manufacturers of such drugs – would put

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greater pressure on those manufacturers and could produce some additional savings.” In addition, giving Medicare negotiating authority may lead to lower prices for classes and categories of drugs for which there is limited competition.

Numerous polls have demonstrated that the MMA enjoys widespread support among Medicare beneficiaries. At the same time, according to recent polling from AARP and other organizations, the American public overwhelmingly supports giving Medicare the power to bargain with manufacturers on behalf of beneficiaries for lower drug prices.

Older Americans and their families are counting on Congress to do everything possible to make prescription drugs more affordable and accessible to beneficiaries under the MMA. We look forward to working with you and your colleagues on both sides of the aisle toward that end.

As part of our new accountability program, which I outlined in a January 4 letter to all members of the House and Senate, we will publish the results of the roll call vote on H.R. 4, the “Medicare Prescription Drug Price Negotiation Act of 2007” to ensure that our members are fully informed of how their Representative voted on this critical legislation.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "William D. Novelli".

William D. Novelli
Chief Executive Officer