

January 9, 2007

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
Washington, DC 20515

Dear Madame Speaker:

Consumers Union, the independent, non-profit publisher of *Consumer Reports*, endorses HR 4, the Medicare Prescription Drug Price Negotiation Act of 2007, a bill by Representatives Dingell, Emerson, and many others.

The history of the Department of Veterans Affairs, our leading industrialized trading partners, and various state Medicaid agencies clearly shows—despite all claims to the contrary—that government price negotiation on behalf of consumers can cut pharmaceutical drug prices roughly in half. Our own studies in Florida have shown that VA prices are substantially below the best prices negotiated by the new Medicare drug plans. Indeed, our study shows that in most cases the new drug plans may not even achieve the same level of savings available from the largest retailers.

Lower prescription drug prices will be an enormous help to Medicare beneficiaries and could help many consumers avoid the Part D “doughnut hole.” Savings from this legislation can be used to make improvements in the new program and/or offset the need for Medicare cuts.

Medicare faces enormous cost pressures in the very near future, and it is essential that Medicare cuts not just be cost shifts to consumers, many of whom are on fixed incomes. Clearly, one of the best areas to achieve savings without hurting consumers is in the pharmaceutical drug sector. HR 4 can achieve savings without disruption to existing Part D Plan formularies or retail delivery systems.

The pharmaceutical industry may oppose this legislation, saying that it threatens research on life-saving medicines. We hope that the 110th Congress will hold hearings to refute that claim and to ensure that the industry will do more in the area of life-saving research.

We believe that the industry could do much more research in exchange for the high prices Americans continue to pay for medications. Too much of the industry's research emphasis has

Consumers Union

Headquarters Office
101 Truman Avenue
Yonkers, New York 10703-1057
(914) 378-2029
(914) 378-2992 (fax)

Washington Office
1101 17th Street, NW #500
Washington, DC 20036
(202) 462-6262
(202) 265-9548 (fax)

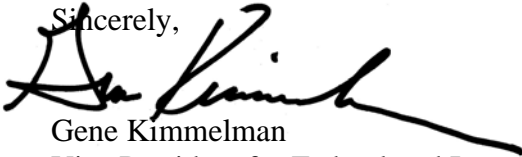
West Coast Office
1535 Mission Street
San Francisco, CA 94103-2512
(415) 461-6747
(415) 431-0906 (fax)

South West Office
506 West 14th Street, Suite A
Austin, TX 78701
(512) 477-4431
(512) 477-8934 (fax)

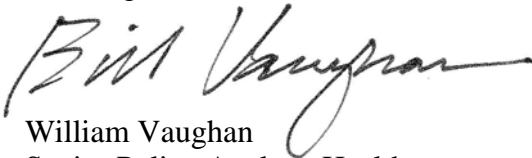
focused on creation of ‘me-too’ medications and not on developing new drug entities. Profits in the pharmaceutical industry are extremely high--about 50% more than their R&D budgets--while their sales and direct-to-consumer and direct-to-physician advertising budgets are over 200% larger than their R&D.

We look forward to working with all Members of the 110th to find ways to achieve consumer-friendly savings in Medicare—such as HR 4--while encouraging a more productive pharmaceutical industry.

Sincerely,



Gene Kimmelman
Vice President for Federal and International Policy
Washington Office



William Vaughan
Senior Policy Analyst, Health
Washington Office

cc: The Honorable John Boehner
Minority Leader
U. S. House of Representatives