



U.S. Public Interest Research Group

National Association of State PIRGs

January 8, 2007

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The Honorable Nancy Pelosi
Speaker, U.S. House of Representatives
The Capitol
Washington, DC 20515

Dear Madame Speaker:

We are writing on behalf of the members of the non-profit, non-partisan state Public Interest Research Groups from around the country to endorse HR 4, the Medicare Prescription Drug Price Negotiation Act of 2007.

HR 4 will allow Medicare to use its bulk purchasing power to negotiate discounted prices directly with drug manufacturers. An overwhelming majority of Democrats (92%), Independents (85%) and Republicans (74%) support allowing Medicare to negotiate drug prices, according to a December 2006 Kaiser Family Foundation poll.

Bulk purchase negotiations are used by every industrialized country, the Veterans Administration and many state Medicaid programs to save money on their prescription drug purchases. The conservative Manhattan Institute estimates that prescription drug prices would go down by 35% by 2025 with price negotiations. (Benjamin Zycher, *Real Clear Politics*, November 29, 2006.)

Lower drug prices would:

- Save taxpayers, who pay for nearly 75 percent of the drug program, billions of dollars.
- Prevent millions of seniors from ever hitting the so-called donut hole coverage gap where they have to pay thousands of dollars out-of-pocket for their medications, while still paying their monthly insurance premiums.

The drug industry claims that government price negotiations would cut into profits, which fund research and development of new drugs. However, about two-thirds of the industry's research spending goes to developing copy cat drugs, not new lifesaving drugs; and, the industry spends more on marketing and administration than it does on research and development.

The drug industry also claims that Medicare accounts for too large a share of the prescription drug market and that "price negotiations" would in reality be government "price fixing." But according to the Heritage Foundation, three Pharmacy Benefit Manager companies each have a larger share of the prescription drug market than Medicare. Advance PCS covers 75 million individuals, Medco Health Solutions covers 65 million and Express Scripts covers 57 million, while Medicare covers 38 million. (Greg D'Angelo, WebMemo No. 1270, the Heritage Foundation, December 1, 2006.)

Once again, PIRG endorses HR 4 because it will save seniors and taxpayers billions of dollars.

Sincerely,

Paul R. Brown, Consumer Advocate