



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 of Health and Human Services to negotiate with drug manufacturers for the prices of certain drugs covered by Medicare Part D.

CBO estimates that H.R. 4 would have a negligible effect on federal Medicare 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 be obtained by PDPs under current law, we estimate that the bill would have a negligible effect on federal Medicare spending.

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.**”



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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 1861

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.

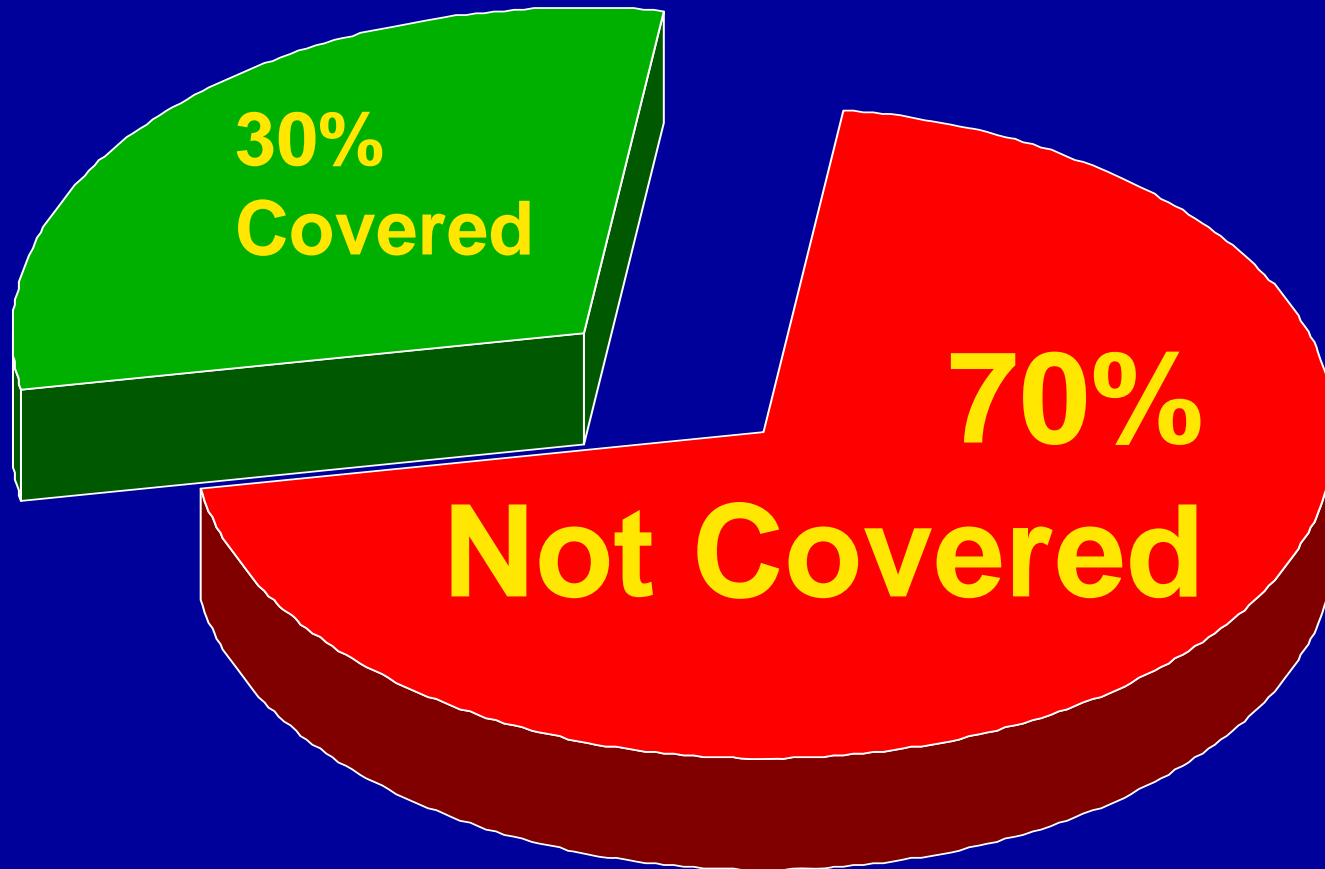
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“without the authority to establish a formulary, we believe the Secretary would not be able to encourage the use of particular drugs by Part D beneficiaries, and as a result would lack the leverage to obtain significant discounts in his negotiations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

Far Fewer Drugs Covered if Medicare Mirrored the VA



Based on 4,390 drugs covered by Medicare plans in 2007 (*The New York Times*, "Medicare Insurers Plan New Drug Options", October 1, 2006) and 1,300 drugs covered by the VA (*Associated Press*, "Medicare Says Vets Flock to Part D, but VA Disagrees", December 5, 2006)

Clinton - 1999

Noninterference: Invented Here First

Moynihan - S. 2342 - 4/2000

Daschle & Reid - S.2541 - 5/2000

Eshoo - H.R. 4607 - 6/2000

**Gephardt, Pelosi, Rangel, Stark, Dingell,
Stabenow** - H.R. 4770 - 6/2000

Stark Motion to Recommit – H.R. 4680 - 6/2000

Wyden - S.1185 - 7/2001

Thompson (Ca.) - H.R. 2606 - 6/2003