

### **Medicare Drug Discounts A Sensible Solution for Deficit Reduction**

As Congress debates reducing the deficit and demanding health savings, one area where Congress can find significant savings is drug costs. The government should use its bulk purchasing power to obtain the best possible price for pharmaceuticals under Medicare, as is currently done for veterans and low-income Medicaid beneficiaries. A 2015 study released by the Inspector General of the Department of Health and Human Services examined 200 brand-name drugs and found that they were at least twice as expensive on average through Medicare than Medicaid.

The Medicare Modernization Act of 2003, which created the Part D drug program, explicitly prohibits the government from negotiating lower prices under Medicare. Furthermore, the law transferred the drug benefits of dual-eligibles – individuals who qualify for Medicare and Medicaid – to Medicare.

Under Medicare, dual-eligibles no longer qualify for discounts, forcing the government to pay higher drug prices for these beneficiaries. The law produced windfalls worth billions of dollars for the pharmaceutical industry. Senator Bill Nelson (D-FL) and Representative Kathy Castor (D-FL) have filed bills, S. 1083 and H.R. 2005, that would require drugmakers to provide Medicare the same rebates as Medicaid. The Congressional Budget Office estimates the proposal would produce savings of \$121 billion over 10 years. Congress should revert back to previous law and close this huge loophole that benefits drug companies and hurt taxpayers. Requiring drug companies to pay rebates for dual-eligibles:

- Saves taxpayers \$121 billion over 10 years.
- Produces budget savings, without harming beneficiaries.
- Has the support of President Obama and is included in his budget proposal.