



House Drug Price Negotiation Bill - H.R. 3

On April 22, 2021, Representatives Frank Pallone (NJ), Richard Neal (MA) and Bobby Scott (VA) introduced the **Elijah E. Cummings Lower Drug Costs Now Act** (H.R. 3). The bill allows the government to negotiate lower drug prices for people covered by Medicare and private insurance.

H.R. 3 repeals current law that prohibits the federal government from negotiating lower drug prices. It requires that the Secretary of Health and Human Services negotiate on up to 250 of the most expensive drugs, including insulin. The negotiated amount would be available to all payers, thus allowing workers covered by employer-sponsored plans to also benefit from the price reductions.

Alliance for Retired Americans Position

The Alliance for Retired Americans supports H.R. 3 and urges Congress to quickly pass this legislation.

In particular, the Alliance supports drug negotiations as the best way to reduce costs for Medicare beneficiaries and all Americans in group health insurance plans. We also support the H.R. 3 provisions that cap drug price increases in Medicare Parts B and D and limit out-of-pocket costs for Medicare beneficiaries.

Limiting Prices to International Drug Index

Americans pay the highest prices in the world for prescription drugs. According to a March 29, 2021 report by the Government Accountability Office (GAO), in 2020 Americans paid two to four times more for 20 brand-named drugs than people in Canada, France and Australia.

H.R. 3 brings drug prices in the United States more in line with those in other industrialized nations. Prices would be limited to 120% of the average costs of the drug in six other countries (Canada, United Kingdom, France, Germany, Australia and Japan).

Excise Tax on Drug Corporation Profits

Drug corporations that refuse to negotiate or those that don't comply with the agreement would be subject to a 65% to 95% excise on their gross sales.

Limit Increase in Drug Prices under Medicare Parts B and D

The bill limits the increase in drug prices under Medicare Parts B and D to the cost of inflation. The base year is set at 2016; thus, drug companies that have increased their prices since then would have to lower them or pay a rebate to the government.

Cap on Out-of-Pocket Drug Spending under Medicare

H.R. 3 caps out-of-pocket spending for Medicare beneficiaries at \$2,000 a year. Currently, there is no cap on out-of-pocket spending. Out-of-pocket spending continues to escalate each year, particularly for specialty drugs -- high-cost prescription medications used to treat complex, chronic conditions like rheumatoid arthritis, multiple sclerosis, and cancer. According to the Kaiser Family Foundation, the average out-of-pocket spending for 28 of 30 specialty drugs is \$8,109 per year.

Invest in New Treatments and Cures

Negotiating lower prices would save taxpayers \$450 billion per year, according to the Congressional Budget Office. Under H.R. 3, those savings would be reinvested in the National Institutes of Health and the Food and Drug Administration to support their research missions.