



**COUNCIL for
CITIZENS
AGAINST
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WASTE**

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Senate Finance Committee
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator,

On Thursday, the Senate Finance Committee is scheduled to markup the draft bill, Prescription Drug Pricing Reduction Act (PDPRA). The bill makes fundamental changes to the structure of the Medicare Part B, Medicare Part D, and Medicaid drug benefits, with miniscule time for analysis and thoughtful debate on how the changes will affect these programs.

The Council for Citizens Against Government Waste (CCAGW) is particularly concerned with the inflationary rebates, which are price controls, for Medicare Part B and Medicare Part D that are tied to the urban consumer price index, or CPI-U. It is important that research-based pharmaceutical companies have price flexibility during the first few years of a drug's entry to recoup development costs. Furthermore, throughout a drug's life cycle, pharmaceutical companies need the ability to address other unexpected events, like the shortage of an important component for a drug or a natural disaster that has disrupted supply, to keep a medication available.

The inflationary rebates would contradict the non-interference clause in Section 1860d-11(i) of the Medicare Modernization Act. That is why CCAGW supports the amendment that will be offered by Sens. Pat Toomey (R-Pa.) and Pat Roberts (R-Kan.) that would strike section 128 from the legislation. CCAGW is also supporting the Toomey amendments that would strike section 107; strike section 209; prevent section 128 from taking effect unless the Health and Human Services (HHS) secretary certifies it will not lead to higher pharmaceutical launch prices; change section 107 to prevent the HHS secretary from administering an International Pricing Index demonstration; and, increase accountability by applying the provisions of the REINS Act to PDPRA.

Throughout history, price controls have distorted markets and caused shortages. Lower prices and increased innovation come from competition, not government interference in the marketplace. Countries that utilize socialistic-style healthcare also use price controls and rationing to keep costs down. As a result, their medical innovation has been greatly diminished, particularly in the [biopharmaceutical arena](#). Fortunately, the United States is still the leader in biopharmaceutical development, but if policies such as inflationary rebates are adopted, it will severely harm our leadership. That is why CCAGW urges you to support Sen. Toomey's amendments to PDPRA.

Sincerely,

Thomas Schatz