



House Drug Negotiation Bill

On September 19, 2019, House Speaker Pelosi and House Democrats released the Lower Drug Cost Now Act (H.R.3). The bill would allow the government to negotiate lower drug prices for people covered by Medicare and private insurance.

H.R. 3 repeals the so-called “noninterference” clause, which currently prohibits the government from negotiating lower drug prices and requires that the Secretary of Health and Human Services to 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.

Limiting Prices to International Drug Index

Americans pay the highest prices in the world for prescription drugs. H.R. 3 would bring drug prices in the U.S. 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 Part B and D

The proposal will also limit the increase in drug prices under Medicare Part 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

The bill 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.

Additional Medicare Benefits

Savings from the negotiations will be reinvested into Medicare and could be used to expand benefits, such as providing hearing dental and vision coverage.