

# Medicare and Prescription Drugs

## **ACTION NEEDED:**

Congress needs to avoid interfering in the private-market success of the Medicare Part D prescription drug program. Neither allowing direct negotiations nor allowing for the reimportation of prescription drugs from Canada would truly benefit America's seniors.

## **BACKGROUND:**

The Medicare prescription drug insurance program continues to exceed expectations. Competing private plans deliver broad access to medicines, while keeping costs in check. The costs for 2006 were lower than anticipated and plan bids for 2007 average 10 percent below 2006 levels. In fact, the cost of the program is nearly \$13 billion less than expected this year, and about 30 percent below the originally projected \$43 billion.

NAHU opposes changes to the Medicare Part D program to allow for direct government negotiation of prescription drug prices. Direct negotiation is not necessary because the private market is already demonstrating that it can keep costs in check. The Congressional Budget Office, a nonpartisan government body, has asserted that direct government negotiation will not save money. Some people have suggested that if there is no fiscal harm in government negotiation, then Medicare should be allowed to negotiate. NAHU has great concerns about the possible threat to private coverage, which is working well to insure millions of seniors at substantially less cost than was originally anticipated.

A more beneficial "fix" for Medicare would be if Congress came to a reasonable compromise establishing a long-term fix to the fair reimbursement issue concerning Medicare providers. Any legislation must balance costs incurred for the care of Medicare beneficiaries and account for the impact of any increase in payments on Part B premiums and the taxpayer.

## **Reimportation of Prescription Drugs**

Reimporting prescription drugs from Canada, where many drugs cost less due to government price controls, has also been suggested as a means to reduce prescription drug costs. NAHU opposes reimportation due to pragmatic and public-safety concerns.

Distribution of illegal counterfeit drugs is as pervasive as ever, and the problem would only grow with increased demands on the Canadian drug supply.

Furthermore, the existence of Part D already makes low-cost prescription drug coverage available to seniors, so there is little practical justification for reimportation.

Finally, reimportation simply isn't a practical solution. The Canadian population is a little more than one-tenth of the United States, and their supply of prescription drugs is commensurate with their much smaller population. If reimportation were allowed in the United States, Canada estimates that its prescription drug supply would be decimated in 38 days.