

July 13, 2021

The Honorable Charles Schumer
Majority Leader of the Senate
322 Hart Senate Office Building
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker of the House of Representatives
1236 Longworth H.O.B.
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader of the Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader of the House of
Representatives
2468 Rayburn House Office
Washington, DC 20515

Dear Leader Schumer, Speaker Pelosi, Minority Leader McConnell, and Minority Leader McCarthy:

The high price of prescription drugs and their cost to consumers has gone unaddressed for far too long while America's families have watched their elected leaders allow politics to overcome meaningful progress. As representatives of America's consumers, patients, workers, taxpayers and businesses, we are encouraged by the priorities laid out in Senate Finance Chairman Wyden's principles for lower drug prices released on June 22, 2021. Coupled with the reintroduction of H.R. 3 in the House, it is clear we are at a critical moment to finally end the pharmaceutical industry's anticompetitive behaviors and unjustified, egregious pricing that makes drugs unaffordable to patients, employers, and taxpayers.

Congress must enact reforms that will finally lower drug prices, and we are writing to support that endeavor by lifting up key components that Congress must include, with a focus on lowering drug prices *and* reducing costs. A proposal absent these elements will fail to meet the needs of the moment.

1. Authorize Medicare to negotiate drug prices, especially for high-cost drugs, and allow the Department of Health and Human Services to do so on behalf of all payers. Negotiated prices should consider key components including: research and development costs, including prior federal support; data on net prices, sales across all markets, and projected revenue; costs of production and distribution; data on comparative effectiveness.
2. Cap price increases to the rate of inflation on existing drugs for all Medicare and private plans.
3. Part D redesign that lowers prices and costs for beneficiaries and taxpayers. That includes a reduction in out-of-pocket costs *and* overall costs, including holding the line on insurance premiums, for consumers, regardless of coverage type or insurance status.

Now is the time to act.

We are paying more today for prescription drugs than ever before. In 2020, as the world faced the most significant public health and economic crisis in a century, United States taxpayers, employers, and consumers spent roughly \$358 billion on prescription drugs – nearly \$1,100 for every man, woman, and child in the country.¹

¹ <https://www.statista.com/statistics/184914/prescription-drug-expenditures-in-the-us-since-1960/>

As a nation, we pay more for prescription drugs than any other nation on earth – roughly 2.5 times as much as analogous countries combined.² Recent reporting reveals that there is no slowing down of prescription drug prices on the horizon. In January of this year, in the midst of the COVID-19 pandemic, “drugmakers collectively have pushed through more brand name list price increases than any other January in the last decade.”³ This burden falls on everyone – taxpayers, employers, and patients. America’s broken prescription drug pricing system is bankrupting our country and our people. We need help – and we need it now.

Prescription Drug Price Reform: Vital, Popular, and Commonsense.

Prescription drug price reform is vital. The high and ever rising price of prescription drugs is not an academic problem to millions of people in the United States. Recent surveys have found that roughly one quarter of people in the country find it difficult to afford their prescription drugs, and three-in-ten say they haven’t taken prescribed drugs due to high costs.⁴ For some, the cost of prescription drugs is literally a matter of life-and-death. According to a recent study by the West Health Policy Center, “if current drug pricing trends continue ... cost-related non-adherence to drug therapy will result in the premature deaths of 112,000 beneficiaries a year, making it a leading cause of death in the U.S., ahead of diabetes, influenza, pneumonia, and kidney disease.”⁵

High drug costs are draining the economy of valuable resources. One analysis finds that enactment of comprehensive prescription drug pricing reform would reduce employer-sponsored insurance costs by more than \$250 billion over the next decade.⁶ Of that, businesses would save nearly \$200 billion in premiums costs and employees would save more than \$60 billion, likely increasing their take home wages. Similarly, according to the Congressional Budget Office’s score of H.R. 3, enacting comprehensive reform would save federal taxpayers more than \$482 billion over ten years.⁷ This score shows that taxpayers are the piggy bank for pharmaceutical industry windfalls.

Prescription drug price reform is popular. Despite withering opposition from the pharmaceutical industry, the American people and business leaders support prescription drug price reform. Time and again, polling confirms that comprehensive prescription drug price reform is popular with people across the political spectrum:⁸

- 88% of people in the US, across the political spectrum, support allowing the federal government to negotiate with drug companies to get a lower price on medications that would apply to both Medicare and private insurance; and

² https://www.rand.org/pubs/research_reports/RR2956.html

³ <https://www.46brooklyn.com/news/1/29/2020/whats-happening-to-generic-drug-prices-jan-2021-nadac-survey-update-hmthw-yzegb-db9lb-pkwcs-tw4ya-ashfh-rhlgc>

⁴ <https://files.kff.org/attachment/Topline-KFF-COVID-19-Vaccine-Monitor-May-2021.pdf>

⁵ <https://www.cidsa.org/publications/xcenda-summary>

⁶ <https://www.cidsa.org/publications/commercial-savings-generated-by-medicare-negotiation-under-h-r-3>

⁷ <https://www.cbo.gov/publication/55936>

⁸ <https://files.kff.org/attachment/Topline-KFF-COVID-19-Vaccine-Monitor-May-2021.pdf>;
<https://www.familiesusa.org/resources/affordable-medicines-are-still-elusive-americas-families-want-fair-prices/>

- 72% of large business executives support “allowing the federal government to negotiate prices for certain high-cost drugs that have no competitors, or setting limits on drug price increases.”⁹
- 85% of small business owners support allowing Medicare to negotiate directly with drug companies on drug prices for seniors and people in private insurance.¹⁰

Prescription Drug Price Reform is Common Sense. Thirty-seven years ago, Congress passed the “Hatch-Waxman Act.” This landmark legislation sought to balance two competing interests – promoting the development of new and innovative therapies, while ensuring access to affordable drugs. Under this system, Americans effectively funded prescription drug research and development via time-limited government-sponsored monopolies provided by patent and market-exclusivity laws. Over the past several decades, this finely tuned balance has failed. Through manipulation of patent and market exclusivity laws, including “patent evergreening,” and “patent thickets,” drug makers have thwarted market competition by keeping drugs under patent well past their original expiration. To take one well-known example, AbbVie’s blockbuster arthritis drug, Humira, is protected by more than 130 patents and counting. The result is unsurprising: while prices of brand name drugs continue to rise,¹¹ the pipeline of innovative treatments has begun to dry up. Today, 78 percent of drug patents are not for new drugs, but for minor changes to existing ones.¹²

Defenders of the broken system claim that changing the way we pay for prescription drugs will de-incentivize manufacturers to produce new, innovative therapies. Yet, the current system, in fact, is doing just that: yielding the development of high-cost, but clinically-marginal drugs. A current and deeply troubling example comes in the form of Aducanumab (marketed as “Aduhelm”), a recently approved drug to treat Alzheimer’s disease.¹³ The FDA approval of Aducanumab despite its questionable evidence to demonstrate effectiveness, and its outrageous and unjustifiable price, proves the profound need for substantial reforms to how the United States approves and prices prescription drugs.

Congress has a unique and time-limited window for crafting meaningful drug pricing reform this year. It must include key elements that include (1) robust government negotiation addressing drugs in both Parts D and B for Medicare and private payers, (2) inflation-based rebate penalty for significant price increases to protect Medicare and private payers, and (3) Part D redesign that lowers prices and costs for beneficiaries and taxpayers. These reforms must be designed to solve the problems revealed by both Humira (i.e., blockbuster drugs that have gamed the system at the expense of patients, employers and taxpayers) and Aduhelm (i.e., high priced drugs that are not supported by clinical evidence). **Any proposal absent these elements will ultimately fail to deliver meaningful relief to the American people.**

⁹ <https://files.kff.org/attachment/Toplines-How-Corporate-Executives-View-Rising-Health-Care-Costs-and-the-Role-of-Government.pdf>

¹⁰ <https://irp.cdn-website.com/b4559992/files/uploaded/SBAF%20Healthcare%20Survey%20May%202021%20--%20FINAL.pdf>

¹¹ <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2734804>

¹² <https://academic.oup.com/jlb/article/5/3/590/5232981>

¹³ The approval of Aducanumab came despite the finding of FDA’s own expert review panel, which concluded that the drug failed to show evidence that the drug is effective at slowing the progression of Alzheimer’s. Following the approval, the drug’s manufacturer, Biogen, announced that it will price Aducanumab at \$56,000 per year.

While we recognize the political difficulties in enacting major legislation, the cost of inaction is too great to be measured. We look forward to working with you to finalize and pass vital, popular, and commonsense legislation to address prescription drug prices this year. We urge you to act now.

Sincerely,

AFL-CIO

AFSCME

Alabama Employer Health Consortium

Colorado Business Group on Health

DFW Business Group on Health

Employers' Advanced Cooperative on Healthcare

Families USA

Florida Alliance for Healthcare Value

Greater Philadelphia Business Coalition on Health

HealthCare 21 Business Coalition

Houston Business Coalition on Health

International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW)

KS Business Group on Health

Lower Drug Prices Now

LVBCH

Memphis Business Group on Health

Midwest Business Group on Health

Montana Association of Health Care Purchasers

National Alliance of Healthcare Purchaser Coalitions

National CooperativeRx

National Multiple Sclerosis Society

Nevada Business Group on Health

New Mexico Coalition for Healthcare Value

North Carolina Business Group on Health

Patients for Affordable Drugs

Pittsburgh Business Group on Health

Purchaser Business Group on Health

Silicon Valley Employers Forum

Small Business Association of Michigan

Small Business Majority

St. Louis Area Business Health Coalition

Texas Business Group on Health

The Alliance

The Economic Alliance for Michigan

UNITE HERE

Washington Health Alliance

WellOK, The Northeastern Oklahoma Business Coalition on Health

Working America

Wyoming Business Coalition on Health

Cc: The Honorable Joseph R. Biden, President of the United States
The Honorable Ron Wyden, Chair, Senate Finance Committee
The Honorable Mike Crapo, Ranking Member, Senate Finance Committee

The Honorable Patty Murray, Chair, Senate Health Education Labor and Pensions Committee
The Honorable Richard Burr, Ranking Member, Senate Health Education Labor and Pensions Committee
The Honorable Richard Neal, Chair, House Ways and Means Committee
The Honorable Kevin Brady, Ranking Member, House Ways and Means Committee
The Honorable Frank Pallone, Chair, House Energy and Commerce Committee
The Honorable Cathy McMorris Rodgers, Ranking Member, House Energy and Commerce Committee
The Honorable Bobby Scott, Chair, House Education and Labor Committee
The Honorable Virginia Foxx, Ranking Member, House Education and Labor Committee