



H.R. 3962 PROTECTS CONSUMERS AND TAXPAYERS FROM RAPID DRUG PRICE INCREASES

New analyses cited in the *New York Times* find that brand-name pharmaceutical manufacturers are rapidly increasing drug prices. Brand-name drug prices rose by more than 9% last year and by over 35% since 2006. These price increases cannot be explained by increases in the Consumer Price Index, which fell last year. Pharmaceutical manufacturers used the same tactic before the start of Medicare Part D, raising drug prices dramatically in anticipation of gaining millions of new insured customers.

Consumers currently see little protection from high drug prices. The Affordable Health Care for America Act, H.R. 3962, creates new protections for consumers and taxpayers from these rapid price increases.

PROTECTIONS FOR CONSUMERS AGAINST RAPID DRUG PRICE INCREASES

- **Closes the Part D donut hole.** H.R. 3962 closes the Part D donut hole by \$500 in 2010 and eliminates the donut hole entirely by 2019. This protects seniors by ending the gaps in coverage that force them to pay the full cost of their drugs.
- **Provides insurance coverage for the 36 million Americans who would otherwise be uninsured.** The Congressional Budget Office (CBO) estimates that 36 million uninsured Americans will receive coverage under H.R. 3962 through their employer, a plan in the Health Insurance Exchange, or Medicaid. This insurance will cover much of the cost of prescription drugs. Plans in the Exchange are encouraged to use flat copayments, rather than charge enrollees a percentage of the drug cost (coinsurance).
- **HHS Secretary drug price negotiations.** H.R. 3962 requires that the Secretary of the Department of Health and Human Services (HHS) negotiate with Part D manufacturers for lower prices, providing new leverage to help control Part D drug price increases. The Secretary will also negotiate for lower drug prices in the new public health insurance option offered through the Exchange.
- **Transparency in drug pricing.** H.R. 3962 requires new transparency in drug pricing for plans in the Exchange that use pharmaceutical benefit managers (PBMs). This will reduce waste, fraud, and abuse and give patients more information about drug prices and spending.
- **Encourages use of generic drugs.** For patients who are able to switch to lower-cost generic drugs, H.R. 3962 clarifies that Part D plans can offer a free generic prescription fill when a Part D enrollee switches to the generic.

PROTECTIONS FOR TAXPAYERS AGAINST RAPID DRUG PRICE INCREASES

- **Medicaid rebates include inflation protection.** H.R. 3962 expands and increases the Medicaid drug rebate, which requires that manufacturers pay a rebate to cover cost increases that exceed the inflation rate. These payments will protect taxpayers from price increases that occur before or after the health care reform legislation goes into effect.
- **New Medicare Part D rebates.** H.R. 3962 also contains new Part D rebates that help cut the cost of providing drugs for dually eligible and low-income enrollees. These Part D rebates are based on the Medicaid rebates. They will save taxpayers billions of dollars each year.