

BRIAN HIGGINS
27TH DISTRICT, NEW YORK

COMMITTEE ON HOMELAND SECURITY
SUBCOMMITTEE ON
BORDER AND MARITIME SECURITY
SUBCOMMITTEE ON COUNTERTERRORISM
AND INTELLIGENCE

COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON THE
MIDDLE EAST AND SOUTH ASIA
SUBCOMMITTEE ON TERRORISM,
NONPROLIFERATION AND TRADE

REVITALIZING OLDER CITIES
TASK FORCE
Co-CHAIR

Congress of the United States
House of Representatives
Washington, DC 20515-3227

September 7, 2011

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The Honorable Jeb Hensarling
Co-Chair
Joint Select Committee on Deficit Reduction
129 Cannon House Office Building
Washington, D.C. 20515

The Honorable Patty Murray
Co-Chair
Joint Select Committee on Deficit Reduction
448 Russell Senate Office Building
Washington, D.C. 20510-4704

Dear Co-Chairs Hensarling and Murray,

As you begin the considerable task of making recommendations to reduce America's federal budget deficit, I urge you to consider a proposal that has a proven track record of substantially reducing health care costs to empower the Department of Health and Human Services to negotiate lower drug prices for Medicare beneficiaries. This proposal would decrease out-of-pocket costs to seniors and it would save the federal government up to \$24 billion annually according to estimates.

Considering its broad mission and large number of enrollees, Medicare remains a very efficiently run program. Per enrollee spending growth is often less than private insurance, despite the fact that Medicare beneficiaries tend to be older and more sickly. And the administrative costs of Medicare are much less than those of many private insurance companies.

Yet Medicare could be much more efficient and effective for beneficiaries on the price of prescription drugs covered under Medicare Part D. Even though Medicare has more than 47 million beneficiaries, it does not have the ability to negotiate, forcing beneficiaries -- and taxpayers -- to pay unnecessarily exorbitant prices without any demonstrative alternative.

There is a strong precedent for such negotiations. The Department of Veterans Affairs (VA), the other large federal purchaser of prescription drugs for beneficiaries, has this negotiation authority. Studies have shown that by using the leverage of a large customer to negotiate lower prices, the VA is able to reduce prescription costs by 25%. Applying that analysis to Medicare, negotiation authority would have saved taxpayers \$15.5 billion dollars last year alone. And estimates by the National Committee to Preserve Social Security and Medicare project drug price negotiation would save Medicare over \$200 billion over 10 years.¹

¹ National Committee to Preserve Social Security and Medicare, "Data Analysis Brief: Price Negotiation for the Medicare Drug Program: It is Time to Lower Costs for Seniors," October 2009.

I appreciate the very difficult and challenging task the Joint Committee has been given, and I respect the amount of effort that will be undertaken to reduce our deficit. It is my hope that this proposal will be given a full and fair consideration during your deliberations. I look forward to working with you on this issue.

Sincerely,

A handwritten signature in blue ink that reads "Brian Higgins". The signature is written in a cursive style with a large initial "B".

BRIAN HIGGINS
Member of Congress