

Dear Senator Sanders and Representative DeLauro,

The purpose of this letter, based on the attached study, is to document not only the great disparities between brand name drug prices in the U.S. and the much lower prices in all other countries but, within the U.S., to demonstrate that Medicare Part D drug prices are significantly higher than those in either Medicaid or the Veterans Health Administration (VHA), as well as prices in other OECD countries. Based on this information, we urge that a joint House-Senate Committee be formed to draft legislation that would lower Medicare Part D prices to those of Medicaid or the VHA, thereby resulting in Part D savings of between \$15.2 and \$16 billion a year and simultaneously reducing the number of people not filling their prescriptions for financial reasons.

The attached study is partially based on previously unpublished data, comparing prices paid to drug manufacturers for a standardized group of brand name drugs in the 31 OECD (Organization for Economic Co-operation and Development) countries, including the United States.

- Twenty-seven of the other 30 OECD countries were able to purchase these drugs from manufacturers at less than 50% of the purchase price in the U.S.
- Overall, U.S. costs per capita for pharmaceuticals (\$1,010) are in fact more than twice as much as the OECD average (\$498) and more than three times that of countries including New Zealand, Denmark and Israel.
- Medicare Part D, even with its rebates, spends 198%, almost twice the median of the amount paid for brand name drugs in the 31 OECD countries. But based on other analyses, even within the U.S., Medicare Part D pays on average 73% more than Medicaid and 80% more than VHA for brand-name drugs.
- Medicare Part D would save between \$15.2 billion and \$16 billion a year---of the \$36 billion paid to brand name manufacturers --- if it could secure the same prices that Medicaid or VHA, respectively, pay for brand-name drugs. Since the government pays for the majority of Medicare Part D, taxpayers' contribution would decrease by at least \$11 billion every year.

- Under current Medicare Part D pricing, non-innovative “me-too” drugs are priced as much or more than older, equally effective versions. By currently paying inflated prices for drugs that do not provide value for money, Medicare Part D artificially increases the returns and incentives for non-innovative “me-too” drugs to the detriment of new innovative medicines for unmet needs.
- Reducing Medicare Part D brand name prices would reduce the high level of cost-related non-adherence (people not filling their prescription for financial reasons) found in Part D by reducing their premiums and co-pays.

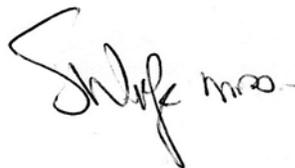
The study concludes with specific recommendations for legislation, including suggestions from current Medicaid and VHA policies, to lower Medicare Part D prices. This would thereby alleviate the current de facto rationing that occurs because so many Medicare recipients cannot afford these inordinately high prices and suffer the health consequences of cost-related non-adherence to drugs prescribed for them.

We would be most willing to answer questions about this study.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc-André Gagnon". The signature is fluid and cursive, with a large loop at the end.

Marc-André Gagnon, PhD, Associate Professor, School of Public Policy and Administration, Carleton University, Ottawa

A handwritten signature in black ink, appearing to read "Sidney Wolfe". The signature is cursive and includes the initials "MD" at the end.

Sidney Wolfe, MD, Founder, Senior Adviser for the Health Research Group, Public Citizen, Washington D.C.