Measure would cut prescription drug costs by harnessing purchasing power of federal government

Rep. Peter Welch on Thursday offered an amendment requiring the Secretary of Health and Human Services (HHS) to negotiate prescription drug prices directly with pharmaceutical companies for seniors in Medicare Part D.

The amendment to comprehensive health reform legislation before the Energy and Commerce Committee - America's Affordable Health Choices Act (H.R. 3200) - would allow the Secretary to leverage the government's purchasing power and drastically reduce the price of vital prescription drugs.

Since 2004, HHS has been barred from negotiating directly with pharmaceutical companies over drugs for Medicare Part D patients. Welch's amendment is modeled after a bill that passed the House by an overwhelming, bipartisan majority in 2007. The Senate failed to pass the bill, the Medicare Prescription Drug Price Negotiation Act (H.R. 4).

"This is a common sense way to use the government's purchasing power to save seniors and taxpayers money on prescription drugs," Welch said. "As we struggle to contain unsustainable health care costs, this measure will substantially lower prescription drug prices."

The Department of Veterans Affairs achieves significant discounts on generic and brand-name prescription drugs by negotiating directly with manufacturers on behalf of its five million beneficiaries. A Congressional Budget Office study found that, on average, the VA pays just 42 percent of the Average Wholesale Price or suggested list price for brand name drugs.

Families USA found in 2007 that the top five Part D insurers charged substantially more for the 20 drugs most commonly prescribed to seniors compared to the VA. The median price difference was 58 percent.