



Dorgan got drug pricing right in '00

By Peter Pitts

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WASHINGTON - Sen. Byron Dorgan, D-N.D., just introduced legislation to remove price-competition from the new Medicare drug program. Specifically, his amendment would give the government the "authority to negotiate prices with manufacturers."

But guess what? Dorgan was against it before he was for it.

In May 2000, he co-sponsored the following amendment to the Medicare reform legislation:

"NONINTERFERENCE. - In administering the prescription drug benefit program established under this part, the Secretary may not - (1) require a particular formulary or institute a price structure for benefits; (2) interfere in any way with negotiations between private entities and drug manufacturers, or wholesalers; or (3) otherwise interfere with the competitive nature of providing a prescription drug benefit through private entities."

Dorgan had it right six years ago. The Centers for Medicare and Medicaid Services' chief actuary said the government "would be unlikely to achieve prescription-drug discounts of greater magnitude than those negotiated by Medicare drug plans responding to competitive forces."

The nonpartisan Congressional Budget Office also has said flat-out that the

government "would not be able to negotiate prices that further reduce federal spending to a significant degree."

Six years later, the prescription-drug benefit is up and running. And after some hiccups, the noninterference clause Dorgan championed is leading to big savings.

Robust competition is driving down the costs of Part D for both beneficiaries and taxpayers, with the majority of seniors satisfied with the benefit.

The numbers are eye-popping. According to the Centers for Medicare and Medicaid Services, the net cost of the drug benefit to the federal government over the next decade will be 20 percent lower than government estimates from just last year. That's a savings of \$180 billion.

The centers attribute the vast majority of the reduction to lower-than-expected drug costs and higher-than-expected price breaks - savings that were negotiated by private plan managers under Medicare Part D. That is to say, rebates and discounts on drugs sold through Part D plans are even larger than originally projected.

Dorgan would look absolutely prescient right now except for one thing - his recent amendment: "Requirement to negotiate prices with manufacturers," it begins.

Talk about a flip-flop.

Dorgan should remember that private pharmacy benefit managers have decades of experience in managing drug programs. Medicare has none.

These private companies face consumer pressure to keep costs down. Medicare does not.

These private companies also are free to conform their plans to patient needs. It's in their interest to allow access to the right drugs the first time. Medicare likely would have to limit access to drugs to keep costs within limits, hurting the quality of patient care for Medicare beneficiaries.

As any Econ 101 student knows, competition reduces costs. Government intervention, on the other hand, reduces opportunity. Federal interference was a bad idea when Dorgan smartly opposed it in 2000. And it's still a bad idea now that he supports it.

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