

Obama's budget targets high cost of cutting-edge drugs

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In this Nov. 15, 2014 file photo Health and Human Services Secretary Sylvia Burwell speaks in Manassas, Va. With patients facing greater exposure to the high cost of new medications, President Barack Obama on Monday, Feb. 2, 2015, called for government to use its buying power to squeeze drug companies for lower prices. Burwell said the proposal aims both to control costs and improve patient care. It's expected to be submitted as legislation. (AP Photo/Cliff Owen, File)

With patients facing greater exposure to the high cost of new

medications, President Barack Obama on Monday called for government to use its buying power to squeeze drug companies for lower prices.

Obama's budget asks Congress to authorize Medicare to negotiate on behalf of its beneficiaries for so-called "specialty" drugs that require hefty copayments from patients. They include biologics, which are medications derived from natural substances, ranging from insulin to some of the latest cancer treatments.

Health and Human Services Secretary Sylvia M. Burwell said the proposal aims to both control costs and improve patient care. It's expected to be submitted as legislation.

The move sends a political message since drug companies were allies in Obama's struggle to pass his health care overhaul from 2009 to 2010. Fast forward to 2015, and it's insurance companies that are helping put the law's coverage expansion into place. Insurers have been complaining loudly about the high price of new drugs, such as Sovaldi, the \$1,000-per-pill medication that can cure hepatitis C.

Unlike the U.S., governments in many other countries play a central role in determining drug prices. While the Veterans Affairs Department and state Medicaid programs have legal authority to obtain steep discounts from drug makers, that doesn't include the largest payer, Medicare. Congress denied HHS the authority to negotiate prices when the Medicare prescription program was created.

Instead, that role is played by private insurers who deliver the prescription benefit to the more than 55 million Medicare beneficiaries. But when it comes to new drugs with no generic competitors, insurers have limited leverage. As a result such medications often wind up on coverage tiers that require patients themselves to pay a big share of the price.

Matt Salo, executive director of the National Association of Medicaid Directors, said the debate needs to go beyond Medicare. A comprehensive approach to drug costs is needed across insurance programs.

"If in this competitive market, Medicare is able to drop the floor on prices, what is the ripple effect?" asked Salo. "Does Medicaid get charged more?"

It's unclear how hard the administration intends to push for Medicare negotiating authority, and the pharmaceutical industry remains one of the most formidable lobbying outfits in Washington.

John Castellani, head of the Pharmaceutical Research and Manufacturers of America, said in a statement that Obama's budget would "fundamentally alter the structure" of the Medicare prescription program, and could drive premiums up.

Obama's \$1.1 trillion health care budget also called for:

— Increases, starting in 2019, in Medicare premiums for high-income beneficiaries. New enrollees as well would face additional charges. Those charges include a home health copayment, changes to the Part B deductible, and a premium surcharge for seniors who've also purchased a kind of supplemental insurance seen as encouraging overuse of Medicare services. Obama has proposed similar steps before, and many Republicans agree. But AARP, the seniors' lobby, is strongly opposed.

— A near-doubling of tobacco taxes, to extend health insurance for low-income children. The federal cigarette tax would rise from just under \$1.01 per pack to about \$1.95 per pack. Taxes on other tobacco products also would go up. That would provide financing to pay for the Children's Health Insurance Program through 2019. The federal-state program

serves about 8 million children, and funding technically expires Sept. 30. The tobacco tax hike would take effect in 2016.

— An \$80-million increase for the HHS inspector general, whose agency investigates fraud and abuse. Part of the money would be used to oversee the insurance markets created under Obama's health care law.

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