



Minority Staff  
Committee on Government Reform  
U.S. House of Representatives  
July 2002

## FACT SHEET

---

# Republican Prescription Drug Legislation (H.R. 4954) Will Not End Drug Price Discrimination

---

On June 28, 2002, the House passed Republican prescription drug legislation (H.R. 4954) on a narrow party-line vote. Contrary to the assertion of some Republicans, however, this legislation will not end prescription drug price discrimination because: (1) it was not intended to be (and will not be) enacted into law; and (2) even if the bill were enacted, the legislation contains large loopholes that will keep drug prices in the United States high compared to other countries.

**H.R. 4954 is unlikely to be enacted into law.** Analysts have indicated that House Republicans passed their prescription drug legislation for political purposes, with no intention of passing final legislation that can be signed by the President. One health care expert noted that “[t]he House Republican prescription drug plan is far better designed to provide political protection for House incumbents than drug cost relief for America's seniors.”<sup>1</sup> The House bill differs significantly from the approach that is likely to pass the Senate and the approaches that have been endorsed by organizations that represent seniors.<sup>2</sup> As a result, it is “highly uncertain whether Congress will produce a benefit plan this year.”<sup>3</sup>

**H.R. 4954 would not lower drug prices.** There are three reasons why the legislation is unlikely to be effective in reducing drug price discrimination, even if enacted:

- **The legislation does not guarantee that seniors will be able to obtain coverage.** Instead of providing prescription drug coverage through the Medicare program, the Republican plan subsidizes insurance companies to offer private sector drug coverage to seniors. But there is no guarantee that private companies will provide this coverage. Indeed, one leading expert, a former Republican Member of Congress and former

---

<sup>1</sup>Ron Pollack, *House Republican Drug Plan Provides More Relief for House Incumbents Than for Seniors*, Families USA (June 18, 2002) (online at <http://www.familiesusa.org/houserepublicandrugplan1.htm>).

<sup>2</sup>For example, according to AARP, “improvements are needed in the funding adequacy, structure, and benefit viability of this plan.” Statement by AARP Advocacy Director Chris Hansen on the House Medicare Prescription Drug Plan (June 2002) (Online at [www.aarp.org/press/statements/2002/st070202.html](http://www.aarp.org/press/statements/2002/st070202.html)).

<sup>3</sup>*House Approves Prescription Drug Plan*, Washington Post (June 28, 2002).

president of the Health Insurance Industry Association stated: “I’m very skeptical that ‘drug only’ private plans would develop.”<sup>4</sup>

Moreover, even if some plans do offer coverage, there is no guarantee that it will be universal and available to seniors around the country. Many seniors have seen Medicare HMOs end coverage in their state or region of the country, and health policy experts have indicated that because the Republican plan is based on a similar model, the results could be the same: patchwork coverage that fails to include many seniors.<sup>5</sup>

- **The legislation does not require drug manufacturers to reduce prices.** The Republican plan provides subsidies to insurers to offer coverage to seniors, but contains no requirements that drug manufacturers reduce their prices or that, if insurers negotiate savings, these savings are passed on to seniors. The legislation would allow large drug manufacturers to continue charging U.S. seniors prices that are the highest in the world. In fact, the legislation specifically bans the Medicare program from negotiating on behalf of seniors for better prices.<sup>6</sup>
- **Even if benefits do materialize, they will still leave seniors with huge drug bills.** Because of the high premiums, deductibles, and copays under the Republican plan, many seniors will receive little benefit even if they are able to obtain coverage. For example, according to Congressional Budget Office estimates, the average senior will use \$1,285 worth of prescription drugs in 2002. Under the Republican plan, these seniors would still have drug costs of over \$900 annually, saving only approximately 25% under the Republican plan. Moreover, coverage under the Republican plan stops after the a senior uses \$2,000 worth of prescription drugs, and seniors receive no further coverage until they have spent \$3,700 out-of-pocket.<sup>7</sup>

---

<sup>4</sup>Bill Gradison, quoted in *Experts Wary of G.O.P. Drug Plan*, New York Times (June 16, 2002).

<sup>5</sup>*Id.*

<sup>6</sup>H.R. 4954, § 701

<sup>7</sup>Under the Republican plan, drug expenses that are paid for by existing employer drug coverage, Medicare+Choice coverage, and even charities do not count towards the \$3,700 out-of-pocket limit.