

United States Senate

WASHINGTON, DC 20510

May 3, 2004

The Honorable Tommy G. Thompson
Secretary
Department of Health and Human Services
200 Independence Ave., S.W.
Washington, D.C. 20201

Dear Secretary Thompson,

We are pleased to hear that the Department of Health and Human Services (HHS) has approved a multi-state purchasing pool that will help states to reduce prescription drug costs under the Medicaid program. We find it ironic that HHS has indicated support for drug pricing negotiations by states through this federally funded program while the Medicare bill signed into law in December expressly prohibits HHS from using such authority for the benefit of our seniors. We are writing to urge you to work with Congress to reverse this ill-conceived provision in the prescription drug bill so that HHS can leverage its negotiating power in the same way you are now advocating for state governments under Medicaid.

The federal government has shown how successful it can be in its ability to reduce the cost of prescription drugs. During the flu vaccine shortage, you effectively negotiated a contract to reduce the price of the FluMist vaccine from approximately \$46 dollars per dose down to \$20 dollars per dose. You also achieved significant savings as a result of your direct negotiations for the purchase of 100 million tablets of Cipro in 2001 after the anthrax attacks. These actions and your expressed support for the multi-state purchasing pool would indicate to us that you believe governmental drug price negotiation is an effective tool in reducing the cost of prescription drugs.

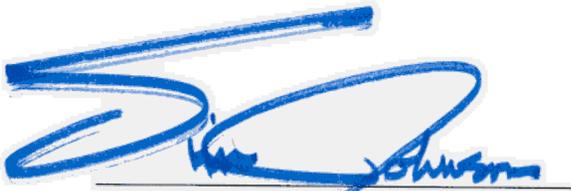
As Congress attempts to address drug price issues, we would like to better understand your goals regarding lowering drug prices in the hopes that we can work together towards solutions. With this in mind, we are interested in obtaining the following information:

A *Boston Globe* article on April 22nd stated that you “envision regional or even national drug-buying agreements in the future.” Does this statement mean that you support national drug-buying agreements for Medicaid only or Medicare as well? Could you please explain more specifically how you would envision national drug-buying agreements to operate under each program?

- As you know, the final Medicare bill expressly prohibits the Secretary of HHS from negotiating lower drug prices. Given your support for multi-state drug price negotiations, would you be willing to work with Congress to repeal that language included in the final legislation? If you are unwilling to do so, could you please explain why you believe it is appropriate for states to negotiate drug prices, but not for the federal government?

Right now, elderly citizens often chronically ill and on fixed incomes, are experiencing a crisis due to the skyrocketing cost of prescription drugs. Seniors should be able to benefit from the power and ability of the federal government to reduce drug prices through Medicare, and we urge you to support our efforts to secure this type of authority for HHS. Not only will this improve access for millions of seniors, but it will also help to protect the longevity of the new Medicare drug benefit.

Sincerely,



Charles Schumer







