

September 24, 2021

Sent via e-mail

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives

The Honorable Chuck Schumer
Majority Leader
United States Senate

Dear Speaker Pelosi and Majority Leader Schumer:

As you negotiate the final language of the Build Back Better Act, I write on behalf of the National Active and Retired Federal Employees Association (NARFE) to urge you to maintain provisions that would help lower prescription drug prices for all Americans, and specifically to preserve the provision requiring Federal Employees Health Benefits (FEHB) plans to take advantage of lower prescription drug prices that would be negotiated by the Department of Health and Human Services.

Prescription drug prices in the United States are substantially higher than in other countries.¹ Particularly, brand name drug prices are as much as 344 percent higher on average, according to estimates.² Americans, including federal employees and retirees, assume the cost of these higher prices through health insurance premiums, co-payments, and taxes.

This disparity results from a failure of prescription drug pricing policy in the United States. It is not the result of a free market determining value. With the worthy goal of encouraging innovation, federal law grants monopolies over certain drugs in the form of patents to those who develop new drugs. This eliminates competition on the supply side. At the same time, in an effort to make health care accessible, federal policy subsidizes insurance to cover prescription drugs in various ways and promotes or requires health insurance to cover the cost of prescription drug coverage. These factors boost demand. Limited supply and increased demand will inflate prices substantially. With no effective federal policy balancing these factors to ensure prices reflect the value provided by prescription drugs, Americans are forced to pay over-inflated prices for prescription drugs.

Provisions of the Build Back Better Act approved by the House Committee on Ways and Means would help lower prescription drug prices in a variety of ways, but most significantly by allowing the Secretary of Health and Human Services (HHS) to negotiate drug prices, for up to 250 drugs and insulin, for Medicare beneficiaries. It would also make those prices available to group health plans, and specifically require FEHB plans to take advantage of those prices. Prices could not exceed 1.2 times the

¹ Mulcahy, Andrew W., Christopher M. Whaley, Mahlet Gizaw, Daniel Schwam, Nathaniel Edenfield, and Alejandro U. Becerra-Ornelas, International Prescription Drug Price Comparisons: Current Empirical Estimates and Comparisons with Previous Studies. Santa Monica, CA: RAND Corporation, 2021.
https://www.rand.org/pubs/research_reports/RR2956.html.

² *Id.*

average price in six other similarly developed countries, providing an upper limit on how much Americans, including federal employees and retirees, must pay.

I write in support of lower prescription drug prices for all Americans. But I also implore you to ensure that any prices that would be negotiated by HHS remain available to the majority of Americans, including federal employees and retirees, who obtain prescription drug coverage via group health plans such as FEHB. Only solving the problem for some Americans risks higher prices for those excluded from obtaining the newly negotiated prices, as pharmaceutical companies develop prices based on a different market and potentially seek to make up reduced profits.

For these reasons, I urge you to preserve policies that would help lower the costs of prescription drugs and ensure they apply to all Americans, including our nation's current and former public servants.

Thank you for the consideration of our views. If you have any questions or concerns, please contact NARFE Senior Director for Legislative and Political Affairs John Hatton at jhatton@narfe.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ken Thomas', with a stylized flourish at the end.

Ken Thomas
National President

CC:

The Honorable Richard Neal, Chairman, House Committee on Ways and Means

The Honorable Frank Pallone, Chairman, House Committee on Energy and Commerce

The Honorable Ron Wyden, Chairman, Senate Committee on Finance