



**The
ERISA
Industry
Committee**

April 9, 2007

Dear Senator:

The ERISA Industry Committee (ERIC) urges you to protect the Medicare Part D Prescription Drug Program, which has thus far been highly successful. Competition has driven the cost of drug coverage lower than many predicted. ERIC urges that Congress not force the Secretary of Health and Human Services (HHS) to begin *de facto* drug price-setting, which would mire Part D in the same affordability and budgetary problems that are currently bogging down Medicare Parts A and B.

The ERISA Industry Committee (ERIC) is a non-profit trade association committed to the advancement of employee health, retirement, and compensation plans of America's largest employers. We represent exclusively the employee benefits interests of major employers. ERIC has a strong interest in economic policy affecting our members' ability to deliver those benefits, their cost and their effectiveness, as well as the role of those benefits in America's economy.

Medicare Part D was created by the Medicare Modernization Act of 2003 (MMA), which took effect in 2006. Under the Part D program, Medicare beneficiaries can choose among private plans that compete for their business, and select a plan that best fits their needs, rather than being pigeonholed into a one-size-fits-all program. The program has provided affordable coverage to tens of millions of people, many of whom receive this coverage through their employers. The average cost of a Part D plan is 10 percent lower in 2007 than it was in 2006, due to plan competition. Currently, pharmacy benefit managers (PBMs) negotiate prices with drug companies and provide multiple and competing plan offerings. By allowing the PBMs to do the negotiation instead of centralizing it through *de facto* government price controls, the MMA created great flexibility for seniors, who can now choose the affordable plan that is best for them.

Repealing the non-interference provision and instructing the Secretary of HHS to negotiate directly would inevitably drive prices up for the private sector – and individual participants. Moreover, according to numerous reports, the proposal to repeal the non-interference provision is not likely to produce any significant savings for Medicare. Private plans and PBMs are experts at negotiating with drug companies – let them continue the exemplary job they're already doing. Retirees should continue to have choices among competing market-driven, private prescription drug plans, and the ability to select the plan that best fits their needs. Any move towards government price-setting and price controls would be a step in the wrong direction, and we urge you to continue to support the MMA as it is currently implemented.

Sincerely,

Edwina Rogers
Vice President, Health Policy