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## Coalition of 26 Groups to Congress: Oppose Medicare Part D Rebate Proposals

June 21, 2016

Dear Senators and Representatives:

In the final months of the Obama Administration, the White House and Congress will engage in another round of negotiations regarding government spending. The President and his allies will likely continue to support a proposal to raid the Medicare prescription drug benefit program to pay for high spending levels in other areas of government. On behalf of the millions of Americans that our organizations represent, we encourage you to oppose misguided Medicare Part D rebate proposals.

Although Medicare Part D is far from perfect, and many of the signatories opposed the program's creation, the program has successfully used market mechanisms such as competition and choice to improve access and control costs. Through negotiations between insurers and pharmaceutical companies, seniors can purchase drugs at lower prices, often as much as [30 percent](#) off the sticker price of brand-name drugs. As a result, Part D has cost taxpayers 45 percent less than originally estimated in the first decade following enactment, an anomaly among government programs.

The President proposed in his 2017 budget request to repeal the non-interference provision at the heart of this successful competitive market in favor of government price-setting. The budget would also require pharmaceutical companies to “rebate” up to 40 percent of their drug sales back to Medicare. This is not a “rebate” in any true sense of the word. Rather, this is an attempt to force drug makers to sell to insurance companies at a loss, as the government does with the poorly-performing Medicaid program. Government forcing companies to turn money over to the Treasury is not a rebate, it’s a tax.

This tax will have a significant impact on the market. Drug companies will respond by embedding the cost of the tax in the price of their drugs, driving up the total cost of insurance. Increasing the price of insurance—due to direct government involvement—is a *de facto* tax increase on America’s



seniors. We urge you to oppose any attempts to effectively tax the Medicare Part D program for more reckless spending. This is not savings, nor is it entitlement reform—it's more accurately called a tax hike.

Sincerely,

Brent Gardner, Vice President of Government Affairs  
Americans for Prosperity

Jim Martin, Chairman  
60 Plus Association

Phil Kerpen, President  
American Commitment

Dan Schneider, Executive Director  
American Conservative Union

Sean Noble, President  
American Encore

Dee Stewart, President  
Americans for a Balanced Budget

Coley Jackson, President  
Americans for Competitive Enterprise

Peter J. Thomas, Chairman  
Americans for Constitutional Liberty

Andrew F. Quinlan, President  
Center for Freedom and Prosperity

Jeffrey Mazzella, President  
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Tom Brinkman Jr., Chairman  
Coalition Opposed to Additional Spending and Taxes (COAST)

Gregory Conko, Executive Director  
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Frontiers of Freedom

Joseph Bast, President and CEO  
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Sabrina Schaeffer, Executive Director  
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Heather R. Higgins, President and CEO  
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Amy Ridenour, Chairman  
National Center for Public Policy Research

Pete Sepp, President  
National Taxpayers Union

William Whipple III, President  
Secure America's Future Economy

David Williams, President  
Taxpayers Protection Alliance