

**Congress of the United States**  
Washington, DC 20515

July 20, 2006

The Honorable J. Dennis Hastert  
Speaker  
United States House of Representatives  
H-232 The Capitol  
Washington, D.C. 20515

Dear Mr. Speaker:

We are writing to urge you to schedule, before Congress adjourns next week, floor consideration of legislation to correct well-documented failures in the Part D prescription drug law resulting from the prohibition against price negotiation. We are calling upon you to allow the House to vote on legislation that will require Medicare to negotiate lower prices, saving both consumers and taxpayers billions of dollars.

*The New York Times* reported on July 18 that prescription drug companies will reap approximately \$2 billion in windfall profits this year because of provisions in the Republican prescription drug law that specifically banned Medicare from using its purchasing power. This power would be used to negotiate lower drug prices for seniors and individuals with disabilities. The article documents an enormous waste of taxpayer funds that is easily corrected.

Specifically, *The Times* report focused on the 6.4 million low-income seniors and people with disabilities who previously were provided prescription drug coverage through the Medicaid program and joined the rest of the Medicare population in Part D on January 1. States and the federal government through Medicaid have historically received large rebates or discounts from the manufacturers of prescription drugs used by these beneficiaries. Unfortunately, Part D prescription drug plans have not succeeded in negotiating similar low prescription drug prices for their enrollees.

The strong evidence from several experts referenced in the article indicates that:

- The prices for prescription drugs used by this low-income and disabled population are higher under the Part D prescription drug plans compared to the net price of those drugs under the Medicaid program administered by states.
- The windfall profits that will accrue to drug manufacturers will begin to show up in quarterly financial reports that will be posted in the upcoming weeks.

The new evidence of these unnecessary drug company windfalls comes as other reports warn of millions of America's falling into the law's coverage gap or "donut hole." We

must act quickly to close this coverage gap, where seniors and people with disabilities are paying premiums for their prescription drug plan but there is no payment being made for prescription drug spending between \$2,250 and \$5,100 a year.

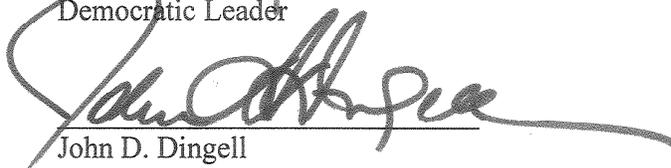
The billions in windfall profits, along with the extra payments given to Medicare managed care plans and savings from requiring price negotiation, should be devoted to closing this coverage gap. This would enable us to provide substantially better coverage to millions of Medicare beneficiaries at no extra cost to the government.

We look forward to you promptly scheduling a floor vote on legislation fixing this problem and using the savings to help reduce the coverage gap.

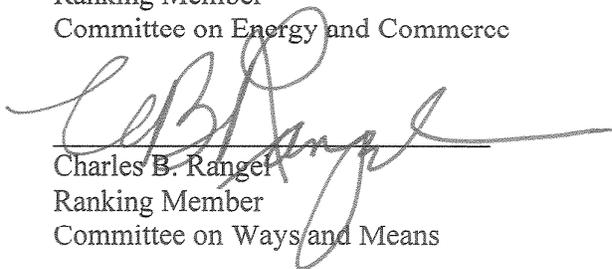
Sincerely,



Nancy Pelosi  
Democratic Leader



John D. Dingell  
Ranking Member  
Committee on Energy and Commerce



Charles B. Rangel  
Ranking Member  
Committee on Ways and Means



Henry A. Waxman  
Ranking Member  
Committee on Government Reform