

House Passes Landmark Bill Allowing U.S. to Negotiate Drug Prices for Medicare

August 15, 2022

After years of trying to pass legislation that would allow the U.S. government to negotiate with drugmakers on prescription drug prices for the Medicare program, the Democrat-controlled U.S. House of Representatives passed such a bill on Friday in a 220-207 vote.

The Inflation Reduction Act of 2022, which also included climate and tax reforms, now goes to President Biden's desk for signature.

The act passed in the Senate through the budget reconciliation process on Aug. 7, allowing Democrats to pass the law with a simple majority rather than a 60-vote supermajority.

The legislation allows for negotiation on 10 of the most expensive single-source drugs in Medicare's Part D program, building up to about 60 drugs from both Part D and B by 2030, with prices generally capped by at least 40 percent. Many of those drugs are likely to be oncology drugs.

In addition, the legislation imposes caps on out-of-pocket costs to seniors on Medicare Part D at \$2,000 annually.

The Congressional Budget Office estimated that the landmark \$740 billion bill would save Medicare \$101.8 billion over 10 years by negotiating drug prices.

Under the legislation, the first list of drugs selected for negotiated pricing would be released by Sept. 1, 2023, for negotiations starting in 2026.

"Now we have a tool to fight back," Alex Lawson, executive director of the nonprofit Social Security Works, told FDAnews. "The Medicare negotiation in the Inflation Reduction Act isn't perfect, pharmaceutical corporations made sure of that, but it gives us the legal authority to find and demand a fair price on pharmaceuticals."

Though some have said that negotiating with drugmakers over drugs for the Medicare program will only lead the pharma industry to shift costs for those drugs to insurance companies, Stephanie Kennan, senior member of the federal public affairs group at

McGuireWoods Consulting, told FDAnews that's unlikely as the drugs commonly prescribed to Medicare patients are not typically the drugs used by other age groups.

But the legislation will cause sweeping change in how the government interacts with industry, she said, adding that the Centers for Medicare & Medicare Services (CMS) now must develop new processes and hire new employees to prepare for negotiations over high-priced Medicare drugs.

Kennan said CMS will likely need to get such processes and employees in place by late 2024. She added that the regulations around the bill will likely start getting written immediately.

And the pharmaceutical industry is facing some changes, too.

"It's a new day for [the pharmaceutical industry] in the U.S.," said Kennan. "They're used to negotiating in Europe. But this is a different style of negotiating, so I think they'll have a lot to get used to. This is a whole different structure."

The Pharmaceutical Research and Manufacturers of America (PhRMA), which has mightily fought the bill all along, called the legislation "a tragic loss for patients" in comments before the legislation passed. PhRMA did not immediately respond after the Friday vote.

In a win for PhRMA, though, a provision that would have applied rebates to drugs covered by private insurers was withdrawn from the final bill ([DID, Aug. 9](#)). — Suz Redfearn