



January 9, 2007

The Honorable Nancy Pelosi  
Speaker of the House of Representatives  
Washington, DC 20515

Dear Madam Speaker:

I am writing on behalf of the American Benefits Council to express our opposition to H.R. 4 which calls for the Secretary of Health and Human Services to directly negotiate the prices for prescription drugs offered to Medicare beneficiaries. The American Benefits Council represents employers and other organizations that either sponsor or administer health and retirement benefits covering more than 100 million Americans.

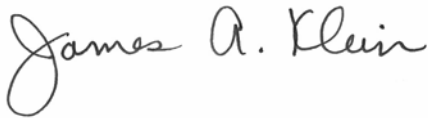
We believe all Medicare beneficiaries should be able to obtain affordable prescription drug coverage through vigorous competition among private purchasers seeking to obtain the best drug prices available in the marketplace. That is the approach Medicare relies on today and it is working well. In fact, as the Part D program now heads into its second year, the number of beneficiaries with prescription drug coverage is far higher -- and their monthly premiums are much lower -- than had been widely expected when Congress approved this legislation in 2003. The overall cost of the Medicare drug program is also now projected to be significantly below earlier estimates. This impressive result is largely attributable to robust competition in the marketplace, through private purchaser negotiations, that offers Medicare beneficiaries the best possible drug coverage at the lowest possible price.

The approach contained in H.R. 4 directing the Secretary to negotiate Medicare drug prices is likely to lead to the government setting drug prices by fiat at the expense of all other purchasers in the marketplace -- including employers, other government programs and those who are uninsured -- whose drug costs would be even higher as a result.

For too long, Medicare has used its status as the single largest health care plan to act as a heavy handed price-fixer for medical services rather than a market-leader when it comes to health care purchasing. By contrast, the Federal Employee Health Benefits Program has consistently and successfully relied on competing private plans to negotiate the best possible prices for the benefits offered to its millions of federal employees each year. The historic achievement of the Medicare Modernization Act was to begin to move Medicare into the role of being a responsible market-based health purchaser. When it comes to pharmaceutical pricing, Medicare's more than 40 million beneficiaries -- and the federal government -- are now benefiting enormously by embracing this competitive, market-based purchasing approach.

Any change in Medicare's current approach in obtaining the best possible discounts for the prescription drugs offered to its beneficiaries should be made only if and when there is actual evidence that it would lead to even better drug prices for seniors without compromising the ability of other payers to obtain the best possible drug prices for their own enrollees. H.R. 4 does not meet this standard and we therefore strongly urge that this legislation be rejected.

Sincerely,

A handwritten signature in black ink that reads "James A. Klein". The signature is written in a cursive style with a large, looped initial "J".

James A. Klein  
President

[Identical letter sent to The Honorable John Boehner, House Republican Leader]