The Cutting Medicare Prescription Drug Prices in Half Act

Senator Sanders is introducing legislation today that would empower Medicare to receive the same low prices for prescription drugs as the U.S. Department of Veterans Affairs (VA).

According to a report released in 2021 by the Government Accountability Office (GAO), Medicare Part D pays twice as much for the same prescription drugs than the VA. Specifically, this GAO report found that, in 2017, VA prices were 68 percent lower than Medicare’s prices for generic drugs and 49 percent lower than Medicare’s prices for brand-name drugs.

The reason why Medicare pays such outrageously high prices for prescription drugs is not hard to understand. While Medicare has been banned by law from doing anything to lower prescription drug prices, the VA has been negotiating with the pharmaceutical industry to reduce the price of medicine for nearly 30 years. Even after the passage of the Inflation Reduction Act, Medicare has the authority to negotiate the price of only ten prescription drugs by 2026 and a few more in the years that follow.

The result is that, according to a recent the Congressional Budget Office report, on average, a 30-day prescription of a top-selling brand-name drug costs $190 under the VA but $343 under Medicare. For specialty drugs, the VA pays an average of $2,002 per one-month supply while Medicare pays $4,902.

If we simply required Medicare to pay the same prices for prescription drugs as the VA, we could save about $835 billion over the next decade. Among other things, these substantial savings could be used to provide comprehensive dental, vision, and hearing benefits to seniors and extend the solvency of Medicare.

Under the Cutting Medicare Prescription Drug Prices in Half Act, effective on January 1st, 2024, pharmaceutical manufacturers who want their medicines covered by Medicare must make those medicines available to the program at prices that do not exceed the prices paid for the same medicines by either the VA or the Federal Supply Schedule – whichever price is lower.