A Sweetener for Health Reform

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Politico reported today that Democrats—worried that the health reform bill delays most changes until 2013—want to add some provisions that will benefit Americans immediately. Great idea! For example, there's a little-known bill by Congressman Chris Van Hollen that would enable neighborhood pharmacies to sell prescription drugs to about 50 million uninsured Americans at near-Canadian prices. And it would cost the government nothing.

Quite reasonably, Democrats are concerned about the politics of health care reform:

Democrats are pushing Senate leaders and the White House to speed up key benefits in the health reform bill to 2010, eager to give the party something to show taxpayers for their $900 billion investment in an election year.

The most significant changes to the health care system wouldn't kick in until 2013—two election cycles away. With Republicans expected to make next year a referendum on health care reform, Democrats are quietly lobbying to push up the effective dates on popular programs, so they'll have something to run on in the congressional midterm elections....

Under the Democratic wish list, senior citizens would receive discounts on brand-name drugs next year. Small businesses that provide insurance would see tax credits. And a $5 billion high-risk pool would cover people with preexisting conditions.

These are all good ideas. But there's another idea that has received virtually no attention: H.R. 1725, sponsored by Chris Van Hollen who is both Chairman of the Democratic Congressional Campaign Committee and Assistant to the Speaker. The bill is cosponsored by Representatives John Conyers, Donna Edwards, Frank Kratovil, Chellie Pingree, Nick Rahall, Dutch Ruppersberger, and John Sarbanes.

How does it work? Understand that drug manufacturers routinely provide discounts to public and private insurance programs through a system of rebates. Under H.R. 1725, the manufacturers would be required to pay the rebate they currently pay to Medicaid for drugs purchased through new state discount programs for families earning less than 300 percent of the federal poverty level. States would be required to use the rebates to provide consumer discounts, which would be in the range of 40 to 45 percent off retail prices.
Second, it eliminates arguments about the availability of fairly-priced drugs—there would be no question about limited supplies that could be reimported or the logistics of getting such drugs into the hands of Americans.

Sounds too good to be true? The truth is, this program has already been tried and it’s already proven itself. For 18 months in 2001 and 2002, this program, then called “Healthy Maine,” was the most successful drug discount program in America, providing discounts that were double the size of any other program. It was based on a section 1115 Medicaid waiver granted by the Clinton Administration covering every family earning under 300 percent of the federal poverty level. Healthy Maine went into effect on June 1, 2001 and provided discounts of about 30% off retail prices for 110,000 Maine residents—approximately 2/3 of all residents who lacked prescription drug coverage, both seniors and non-seniors.

Because Healthy Maine was officially a part of the Medicaid program, all drug manufacturers paid Medicaid-mandated rebates for all FDA-approved drugs. The state used the rebate funds to lower participants’ drug prices at pharmacies. While Maine citizens enjoyed 30 percent discounts in 2001-02, the savings would be substantially greater today. At the time, Maine did not negotiate supplemental Medicaid rebates from drug manufacturers, as almost all states do today.

On December 24, 2002 the U.S. Court of Appeals for the District of Columbia ruled that the Healthy Maine program was not legal because one detail—a 2 percent financial contribution by the state—was not mentioned in the Clinton Administration’s Medicaid waiver. The court’s ruling meant that, in order to keep Healthy Maine running, the Bush Administration would have to sign a separate Medicaid waiver. Bush officials (naturally) refused and the program ended.

It’s time to give this model a new life.

The writer is a Senior Fellow at Campaign for America’s Future and author of the book, “Framing the Future: How Progressive Values Can Win Elections and Influence People” [3].

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