61% OF MEDICARE'S NEW PRESCRIPTION DRUG SUBSIDY IS WINDFALL PROFIT TO DRUG MAKERS

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A new report examines where the proposed $400 billion for a Medicare drug benefit will go.

Congress intended to bar Medicare from acting to negotiate or contain drug prices. But the real cost of making more pills to meet Medicare patients' needs is very low. Medicare's ***unrestrained drug prices mean taxpayers would give an estimated $139 billion dollars in undeserved profits over 8 years to drug makers, simply for making and selling more pills.***

- ***About 61% of the estimated $228 billion in Medicare dollars used in the program's first 8 years to buy more prescriptions will remain with drug makers as added profits.***
- ***This windfall, at $17 billion annually, means about a 38% rise in drug makers' profits.***

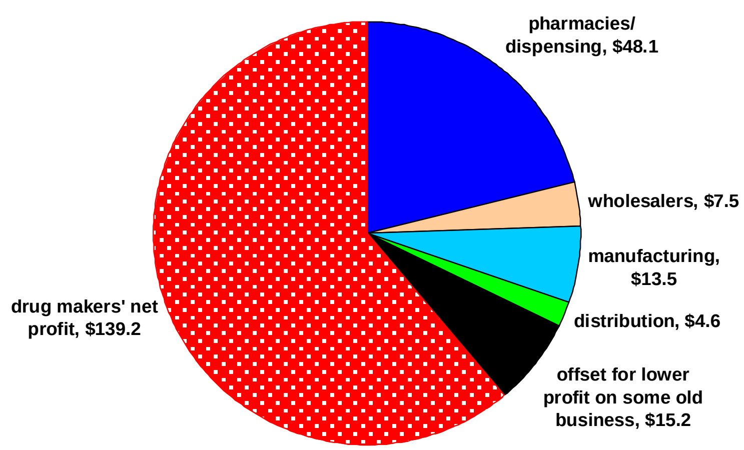
That is the main reason why the $400 billion buys patients only a skimpy drug benefit.

- The program would pay for many prescriptions that patients do fill today, but an estimated $228 billion of the federal funding would buy drugs that patients previously went without.
- Retailers and wholesalers would get about 24.4% of that. Drug makers would get the rest.
- Drug makers' only new costs for this benefit are in manufacturing and distribution. These are very low. The estimated added cost of making more pills is about 5% of full retail price.
- ***So, with few added costs, drug makers would keep about $139 billion in new profits.***

The current bills are a gift to drug makers at patients' and taxpayers' expense. Congress should instead work to forge a prescription drug peace treaty. Using a new strategy of low prices and high sales volume, Congress can protect drug makers' research and profits at today's levels, while enabling all Americans to obtain all needed prescription drugs at an affordable price.

See the full report at **www.healthreformprogram.org**

WHERE THE MEDICARE DOLLARS GO:
PROFITS AS A SHARE OF SPENDING ON NEW DRUG PURCHASES
$ Billion



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