



Weekly Checkup

Medicare Can Finally Negotiate Drug Prices – But Not Well, Apparently

JOHN WALKER | AUGUST 30, 2024


On August 14, the Centers for Medicare and Medicaid Services (CMS) [announced](#) the Maximum Fair Price for the first 10 drugs “negotiated” under the Inflation Reduction Act (IRA). Although CMS’ announcement initially made big headlines, the story slipped quickly from news headlines. But it’s worth talking a little more about. **In this Weekly Checkup, let’s review the data from CMS’ first 10 negotiated drugs to understand why the Biden Administration’s supposed victory is a bit more complicated than it claims.**

CMS’ drug negotiation announcement allowed for direct comparison between pre- and post-IRA negotiation practices. As explained by AAF President Douglas Holtz-Eakin in his [Daily Dish](#), “This small sample of data is the first genuine head-to-head comparison of what private negotiation – the original *raison d’etre* of the Medicare Part D program – yields versus government intervention into prices. The results speak poorly for the IRA.” **As shown in the chart below, the private sector – without government intervention – negotiated drug savings that were *more than triple* the amount negotiated by the Biden Administration’s IRA-compelled negotiations.** AAF’s president was far from the only one to note this discrepancy. [Other observers](#) remarked that CMS’ touted figures seemed a little too good to be true – because they were. **CMS, in showing off the results of its negotiations, calculated the discounted figures from the *list prices* of these 10 drugs, and not the prices at which they’re typically sold, which include rebates and discounts.** The rebates and discounts, keep in mind, were the bounty of private-sector negotiations.

WHO'S THE BETTER DRUG-PRICE NEGOTIATOR?

PRIVATE-SECTOR VS. BIDEN ADMINISTRATION

Median price reduction from private sector vs. federal government on CMS' ten selected drugs.

	PRIVATE-SECTOR NEGOTIATED SAVINGS	BIDEN ADMINISTRATION'S NEGOTIATED SAVINGS
ELIQUIS (APIXABAN)	\$203	\$87
XARELTO (SPECIFICALLY ORAL TABLET)	\$275	\$101
JANUVIA (AS PHOSPHATE)	\$315	\$5
JARDIANCE (EMPAGLIFLOZIN)	\$290	\$124
FARXIGA (DAPAGLIFLOZIN)	\$356	\$22
ENTRESTO	\$144	\$189
ENBREL (SUBCUTANEOUS SOLUTION)	\$3,198	\$1,553
IMBRUVICA	\$1,344	\$4,271
STELARA (INTRAVENOUS)	\$4,980	\$4,160
FIASP	\$332	\$44
NOVOLOG	\$332	\$44
MEDIAN AMOUNT SAVED	\$315	\$101

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CMS' first round of drug price controls leaves us with a couple takeaways. First, despite having considerable power to compel manufacturer compliance, the Biden Administration didn't accomplish much with its negotiations: It's clear the private sector is the far superior negotiator of drug prices. Second, it's a distinct possibility that the Biden Administration was unable to gain much through its negotiations because private-sector manufacturers had already provided their lowest possible prices in a field that requires constant, excessive, and costly research and development. **As Holtz-Eakin highlighted in his Dish, "It looks like there are two basic takeaways.... Either the pharmaceutical makers are not fat cats awash in cash or the government is not your highly efficient ally, or both."**

With Wall Street analysts already [betting](#) on what drugs the IRA will target next in 2027, lawmakers may want to take a second look at the IRA's "negotiation" provisions. **That the Biden Administration feels compelled to stand behind misrepresented savings figures suggests that we might find greater success in gradually instituting the [Part D redesign](#) as it was initially intended and allowing the Part D program to return to its private-sector roots.**