The Senior Citizens League (TSCL) Monthly Washington Update for the end of August 2023

These are the stories we cover in this issue of our TSCL Washington Update.

The coming of September means Congress faces a mad rush to keep the government from shutting down on October 1; the Biden Administration announces the first drugs to be negotiated by Medicare for lower pricing; and seniors with Medicare Part D will be able to stretch out their payments over the course of a year.

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Will Congress Keep the Government from Shutting Down?

Each year, Congress must pass the legislation needed to fund the federal government for the new fiscal year, which begins on October 1. That is supposed to be accomplished by the end of September. But it rarely happens anymore.

As a result, in most recent years, Congress has had to pass temporary legislation (one or more times) to keep the government from shutting down and allow for more time to try and pass new funding for the entire fiscal year. At a minimum, it will likely take at least until the end of December and could go into 2024.

It doesn't help that Congress takes the month of August off. And while the Senate returns to session today, the House won't return until next week. Then there will be additional time off during what's left of September, so they will have only about two weeks to pass a bill to keep the federal government's doors open.

Twelve funding bills are supposed to be passed to fund the various departments of the government. The House has passed only one of those bills, while the Senate has passed all 12 bills out of the appropriations committee but has yet to hold a vote by the entire Senate on any of the bills.

As you may recall, we just went through a funding crisis of a different sort just a few months ago. Back in late May, House Republican conservatives demanded deep cuts in spending for them to agree to raise the debt ceiling. Those plans had included plans by some GOP members to cut Medicare and Social Security spending. However, President Biden got them to agree to leave those programs alone when he delivered his State of the Union address.

The President and House Speaker McCarthy ultimately reached an agreement that avoided a default and set spending limits for the 2024 fiscal year.

Last Thursday, the Biden Administration formally asked Congress for a short-term funding package to avoid a shutdown on Oct. 1. However, even a stopgap measure to temporarily fund the government faces opposition from conservatives.

Republican hard-liners have said they oppose any funding to keep the government open unless their demands for spending cuts and changes to border policies are met. They largely ignore the spending levels agreed upon in the debt ceiling limit bill and demand even more cuts. Speaker McCarthy could risk his job if he ignores their demands.

The conservative lawmakers have also said they do not fear a government shutdown and view their demands as a way to break the status quo of Washington.

In the Senate, Democratic and Republican leaders have signaled they are open to temporary funding for the government. Senate Majority Leader Chuck Schumer called for an extension of funding into December, and Senate Minority Leader Mitch McConnell said such a bill was probable on Wednesday.

Ironically, there are estimates that a government shutdown actually costs taxpayers additional money. The Office of Management and Budget estimated that the 2013 government shutdown resulted in $2.5 billion of pay and benefits being paid to furloughed employees for hours not worked during the shutdown and the loss of roughly $10 million of penalty interest payments and fee collections.

TSCL urges both parties in Congress to reach an agreement and avoid a government shutdown that is in no one’s interest.

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Drugs to be Negotiated for Lower Pricing are Announced

Last week, the White House announced the names of 10 prescription drugs that will be subject to the negotiating power of Medicare. The government expects prices will be slashed by half on average, with the first cuts taking effect in 2026. The complete list of drugs and their costs to Medicare includes:

- Bristol-Pfizer’s **Eliquis,** used as a blood thinner ($16.5 billion);
- Eli Lilly’s **Jardiance,** used for diabetes and heart failure ($7.1 billion);
- Johnson & Johnson’s **Xarelto,** used as a blood thinner ($6 billion);
- Merck’s **Januvia,** used for diabetes ($4.1 billion);
- AstraZeneca’s **Farxiga,** used for diabetes and heart failure ($3.3 billion);
- Novartis’ **Entresto,** used for heart failure ($2.9 billion);
- Amgen’s **Enbrel,** used for autoimmune diseases ($2.8 billion);
- AbbVie-J&J’s **Imbruvica,** used for blood cancers ($2.7 billion);
- J&J’s **Stelara,** used for autoimmune diseases ($2.6 billion); and
- Novo Nordisk’s **NovoLog,** used for diabetes ($2.6 billion).

The government had been prohibited by the 2003 law that created Medicare’s Part D program from negotiating drug prices with the drug manufacturers. But the Inflation Reduction Act (IRA), signed into law a year ago in response to growing fury over US drug costs that are the highest in the world, mandated the negotiations. Data show that the drugs on the list accounted for around $51 billion, or about 20%, of Part D’s prescription drug costs in the year ending May 31.

Eight companies and groups have already filed lawsuits to stop the drug negotiating program from taking effect. Besides the drug makers themselves, the group includes the U.S. Chamber of Commerce.

Big drugmakers have long fought to maintain their products’ patent protection and forestall the arrival of generic competition. The new law undercuts that strategy, demanding price concessions on products that have been on the market for years and have no generic alternatives.

To get around the law, drug companies are already launching drugs at much higher list prices so they can earn more before possibly facing Medicare negotiations, according to Evan David Seigerman of BMO Capital Market financial services company.

That may undermine some of the benefits to consumers the IRA was meant to foster, although the 2022 law will cap other out-of-pocket spending and expand subsidies for low-income patients.

The main argument against the new law that drug companies are using is that because developing new drugs is so expensive, it will reduce the number of drugs developed. However, the Congressional Budget Office (CBO) has estimated that the new program would reduce the deficit by $237 billion from 2022 to 2031, resulting in two fewer drugs introduced in the next decade and about eight fewer drugs in the decade after that.

Critics of Medicare negotiations have questioned the CBO estimate's reliability; in fact, other estimates place the loss of new drugs much higher.

At the same time, supporters of the drug negotiation law point out that drug companies spend more money advertising their drugs than they do on developing new drugs.

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New Medicare Part D Drug Program Will Allow Monthly Payments

The Centers for Medicare and Medicaid Services (CMS) has announced that beginning in 2025, subscribers to Medicare Part D will have the option to pay their out-of-pocket prescription drug costs over a year using a monthly installment plan.

CMS said it will develop tools to help beneficiaries decide if the program will be helpful. Although the program will not reduce overall out-of-pocket costs, spreading the costs throughout the year can help ease some of the payment burden, according to the CMS announcement. Additionally, beneficiaries will owe nothing upfront when picking up medication at the pharmacy.

TSCL will provide further information about this new program as more information becomes available.

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For progress updates or more information about these and other bills that would strengthen Social Security and Medicare programs, visit our website at www.SeniorsLeague.org or follow TSCL on Facebook or Twitter.