

Congress of the United States
House of Representatives
Washington, DC 20515

July 28, 2008

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives

The Honorable John Boehner
Minority Leader
U.S. House of Representatives

The Honorable Charles Rangel
Chairman
House Ways & Means Committee

The Honorable Jim McCrery
Ranking Member
House Ways & Means Committee

The Honorable John Dingell
Chairman
House Energy & Commerce Committee

The Honorable Joe Barton
Ranking Member
House Energy & Commerce Committee

The Honorable Harry Reid
Majority Leader
United States Senate

The Honorable Mitch McConnell
Minority Leader
United States Senate

The Honorable Max Baucus
Chairman
Senate Committee on Finance

The Honorable Charles Grassley
Ranking Member
Senate Committee on Finance

Dear Representatives,

We are writing to respectfully request that you include the attached language to exclude customary prompt pay discounts from the Average Sales Price ("ASP") methodology for Medicare Part B drugs in the next appropriate legislative vehicle this year. Your assistance on an expedited basis is of utmost importance in ensuring that the specialty and biotech distribution model that has operated effectively under Part B will not be put at risk.

As you may know, customary prompt pay discounts are contractual terms between manufacturers and distributors and are not typically passed on to the end customer. They reflect the time value of money and are a key source of revenue for specialty and biotech distributors, whose margins are among the lowest in the healthcare industry. Excluding prompt pay discounts from ASP will create greater uniformity among federal healthcare programs, as these terms already are excluded from the Average Manufacturer Price ("AMP") methodology.

The inclusion of prompt pay discounts in the ASP methodology artificially reduces the payment amount providers receive, which, unfortunately, incentivizes inefficient distribution by manufacturers to physician offices. This language would close this loophole. If specialty and biotech distributors' role in the Part B pharmaceutical supply chain is reduced or eliminated, the Medicare program and beneficiaries will experience increased costs due to greater inefficiencies and impairment of product integrity.

Thank you for considering this urgent request. We would be glad to provide additional information.

Sincerely,



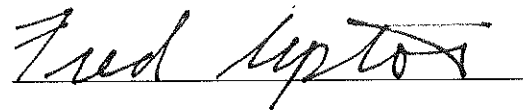
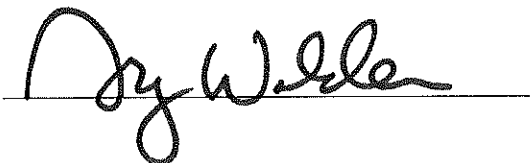
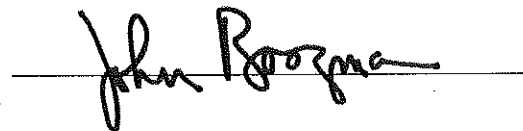
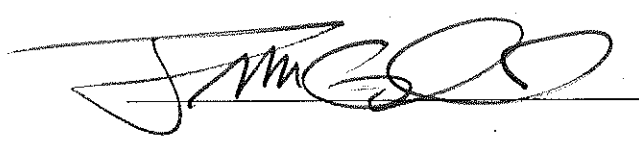
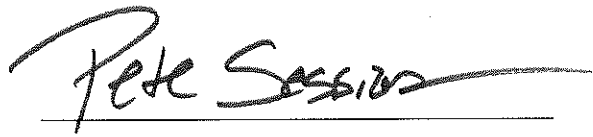
Ed Towns



Mike Ross



Ed Whitfield



mil Roge

Melvin A. Wood

A BILL

To amend title XVIII of the Social Security Act to ensure more appropriate payment amounts for drugs and biologicals under part B of the Medicare Program by excluding customary prompt pay discounts extended to wholesalers from the manufacturer's average sales price.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. EXCLUSION OF CUSTOMARY PROMPT PAY DISCOUNTS EXTENDED TO WHOLESALERS FROM MANUFACTURER'S AVERAGE SALES PRICE FOR PAYMENTS FOR DRUGS AND BIOLOGICALS UNDER MEDICARE PART B.

- (a) In General- Section 1847A(c)(3) of the Social Security Act (42 U.S.C. 1395w-3a(c)(3)) is amended--
- (1) in the first sentence, by inserting '(other than customary prompt pay discounts extended to wholesalers)' after 'prompt pay discounts'; and
 - (2) in the second sentence, by inserting '(other than customary prompt pay discounts extended to wholesalers)' after 'other price concessions'.
- (b) Effective Date- The amendments made by this section shall apply to drugs and biologicals that are furnished on or after January 1, 2009.