On September 19th, House Speaker Nancy Pelosi announced her drug pricing plan calling for Medicare to negotiate prices on at least 250 medicines, including insulin, with an option for commercial insurers to take advantage of the deals. The House bill is seen as moving drug pricing policies closer to law, adding to the bipartisan Grassley-Wyden bill passed this summer in the Senate.

House Progressives wanted the drug list to be the floor, and not the ceiling to have a greater impact on healthcare costs and are skeptical that the Republicans will support drug pricing. House Republicans panned the bill that would decrease drug research and innovation.

The government would be directed to target drugs that account for the highest costs to Medicare and the entire health care system, taking into account both the price of medicines and the volume sold in the United States. This means that negotiations would likely focus on drugs taken by large numbers of Americans, potentially excluding those for rare diseases that typically are very costly. To be eligible for negotiation, the drugs must also lack generic or biosimilar competition. The plan in part borrows from some of Trump's drug pricing agenda, particularly on tying the cost of medicines to cheaper prices often paid in other developed countries.

Under Pelosi's plan, the upper limit Medicare pays for drugs must be no more than 1.2 times the average price in six countries: Australia, Canada, France, Germany, Japan and the United Kingdom. But the goal would be to get to a lower price, according to an outline of the plan, and Medicare Part D prescription drug plans and private Medicare plans could try to get the price even lower than the government rate.

The HHS secretary, who would oversee negotiations, would need to consider a medicine's research and development and production costs, alternative treatments, the value of the drug and domestic and international sales information. Once the price is negotiated, a drug company cannot raise it above the rate of inflation until sufficient competition develops in the market.

Savings from the lower-priced drugs would be directed to NIH to develop new medicines and toward improvements in Medicare. "If the savings are great enough," the outline says, Medicare improvements could include coverage for vision, hearing and dental.

The Democratic leadership's plan would for the first time cap seniors' annual out-of-pocket spending in the Medicare Part D prescription drug benefit at $2,000, an idea that has been widely supported by both parties in Congress. It would also drastically reduce the percentage of a medication's costs paid by the government when seniors enter the catastrophic phase of the Medicare drug program, shifting more to health insurance plans and the drug industry. This idea has also drawn bipartisan support, including from the Trump administration.

The Senate Finance Committee's package includes some aspects of Pelosi's plan, like capping drug price increases at the rate of inflation and establishing an out-of-pocket cap for seniors with Medicare prescription drug coverage. However, Pelosi was adamant that Democrats will not drop government price negotiations as part of a compromise with Republicans.

HHS Secretary Azar also met with Republican lawmakers last week to encourage them to support the Senate plan, according to a person in the meeting. Domestic policy chief Joe Grogan and his aides, with drug industry input, are working an alternative to one of Trump's most aggressive drug pricing ideas — tying the cost of medicines to prices paid overseas, where many governments negotiate with drugmakers. Many Republican lawmakers have complained that the idea, which is featured in the Pelosi plan, is tantamount to importing foreign price controls.

The plan released Thursday scaled back an earlier proposed initial penalty on drugmakers that refuse to participate in negotiations or don't reach an agreement with the government.
Those companies would be subject to an excise tax of 65 percent of the manufacturer's annual gross sales, increasing by 10 percentage points every quarter of noncompliance to a maximum 95 percent. Previous iterations had the tax starting at 75 percent. There would also be penalties if the drug company fails to offer the negotiated price to other payers, like commercial insurers and employers. Manufacturers not subject to negotiations would also face penalties if they have raised the price of a drug above the rate of inflation since 2016. They would either need to lower that drug's costs or refund the amount above inflation back to the government.