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ROCKEFELLER PRESSES TO REDUCE SENIORS' PRESCRIPTION DRUG COSTS

WASHINGTON, D.C. – Senator Jay Rockefeller today issued the following statement about the need to reduce seniors' prescription drug costs, which would also reduce the deficit, and proposals he has offered to achieve this goal. Rockefeller provided the statement for a Senate Committee on Aging hearing on the rising cost of prescription drugs on Medicare and Medicaid.

**Senator Jay Rockefeller
Statement for the Record
Senate Committee on Aging
Hearing on Drug Costs to Medicare and Medicaid
July 21, 2011**

Mr. Chairman:

Thank you for holding this important hearing today on the cost of prescription drugs to Medicare and Medicaid. As we continue the difficult discussions about the status of our national deficit, these critical programs once again find themselves under scrutiny. Yet all too often, it is the beneficiaries themselves who are scrutinized, and even punished, during these types of debates – instead of addressing the true underlying costs of care.

Already this year, we have seen multiple proposals that would raise out-of-pocket health care costs for seniors and people with disabilities who rely on Medicare and Medicaid. The House Republican budget would end Medicare as we know it, forcing tomorrow's seniors to spend on average \$6,400 more for their health care compared to current law. As if that wasn't bad enough, our Republican colleagues have now proposed a Balanced Budget Amendment that would result in additional Medicare benefit cuts of up to \$2,500 per senior.

These drastic proposals – as well as other proposals that would raise seniors' health care cost-sharing to reduce the deficit – are simply not grounded in the reality of seniors' lives. Half of all Medicare beneficiaries live on less than \$22,000 per year. More than half of dually eligible beneficiaries, who rely on both Medicare and Medicaid, scrape by on less than \$10,000 per year. Medicare beneficiaries pay, on average, 25 percent of their total health care expenses out-of-pocket. Given these pressures, it is imperative that we closely examine the special interests who all too often drive up health care costs without any measurable improvement in seniors' health.

We should be talking about ways to lower health care costs for seniors– not just piling more cost-sharing onto beneficiaries. That is why I am grateful today for the opportunity to talk about ways to reduce one very important component of health care costs – the cost of prescription drugs, which millions of seniors depend on. The health reform law already made some important strides to make prescription drugs more affordable for seniors, with a \$250 rebate check for those who fall into the Medicare prescription drug “doughnut hole” last year, a 50% discount on brand-name drugs this year, and ultimately closing the coverage gap by 2020.

However, there is much more we can do to slow the growth of prescription drug costs and achieve major savings for seniors and taxpayers. The U.S. spent \$250 billion on prescription drugs in 2009, and U.S. spending is projected to increase to \$457.8 billion in 2019. According to the Medicare Trustees, Medicare spent \$61.7 billion on prescription

drugs last year, and the cost of the Medicare prescription drug plan is expected to grow by 9.7 percent per year over the next nine years. As for Medicaid, prescription drugs have been one of the fastest-growing Medicaid services, with spending totaling \$19.4 billion for prescription drugs in 2008.

We need to responsibly reduce our deficit, but taking away health care for seniors and other vulnerable people is a step backward. Rather than dismantling Medicare and Medicaid, or increasing cost-sharing for already struggling seniors, we can save seniors and taxpayers money through a series of measures, including some being unveiled here today. Therefore, I would like to turn to just two proposals that could be considered as a way to save money on prescription drugs.

The first proposal would help generic drug companies enter the market more quickly. It is widely acknowledged that generic drugs are a significant cost-saver. For example, according to the Congressional Budget Office, generic substitution (dispensing generic drugs rather than their brand-name counterparts) reduced total Medicare prescription drug costs in 2007 by about \$33 billion. If no generics had been available, the Medicare program and beneficiaries would have paid 55 percent more for prescription drugs. More broadly, for the decade 2000 through 2009, the use of generic prescription drugs in place of their brand-name counterparts saved the nation's health care system more than \$824 billion dollars. According to an analysis by IMS health, every 2% increase in generic utilization in Medicaid programs saves taxpayers an additional \$1 billion annually.

It is because of the importance of access to generic medications that my colleagues and I introduced the *Fair Prescription Drug Competition Act of 2011* (S. 373). This bill will eliminate one of the most prominent loopholes that brand name drug companies use to limit consumer access to lower-cost generic drugs, ending the marketing of so-called "authorized generic" drugs during the 180-day exclusivity period that Congress designed to provide specific incentives to true generics to enter the market. An authorized generic drug is a brand name prescription drug produced by the same brand manufacturer on the same manufacturing lines, yet repackaged as a generic. After up to 20 years of holding a patent for a brand name drug –the brand-name manufacturer – which has already been handsomely rewarded for its investment -- doesn't want to let go of its profits. So, it repackages the drug and refers to it as a generic in order to extend its market share, while cutting in half the financial incentive for an independent generic to enter the marketplace. This is a huge problem and one that is becoming even more prevalent as patents on some of the best-selling brand name pharmaceuticals expire. Authorized generics only serve to reduce generic competition, extend brand monopolies, and lead to higher health care costs for consumers over the long-term.

To further hold down costs, the federal government should use its purchasing power to obtain lower drug prices in the Medicare prescription drug program. That is why my colleagues and I introduced the *Medicare Drug Savings Act of 2011* (S. 1206). This bill, which to date has been endorsed by AARP, the American Federation of State, County and Municipal Employees, the Center for Medicare Advocacy, Families USA, Leading Age, the Leadership Council on Aging Organizations, the Medicare Rights Center, and the National Committee to Preserve Social Security and Medicare, would require that prescription drug manufacturers pay higher rebates for prescription drugs provided to low-income seniors through Medicare. Prior to the establishment of the Medicare Part D Prescription Drug Program, brand-name drug manufactures paid a drug rebate for dually eligible beneficiaries in Medicare and Medicaid. However, when the new Medicare drug program was established, drug companies no longer had to provide rebates for the now 9.2 million dual eligibles who receive coverage through Medicare Part D. Since that time, prescription drug prices have

continued to rise faster than inflation, and drug prices for dual eligibles were significantly higher under the new Medicare prescription drug program than they would have been with the rebate under Medicaid. According to the Congressional Budget Office, this legislation would reduce the deficit, saving taxpayers \$112 billion over the next ten years. And contrary to the claims of some critics, this bill has nothing to do with price-fixing or taking benefits away from beneficiaries. Part D plans will continue to set benefit levels for all beneficiaries in the same way they do now. All this legislation does is say that drug manufacturers have to give the same discounts to Part D that they give to Medicaid for low-income populations.

These proposals are responsible steps to get our growing deficit under control. Rather than dismantling Medicare and Medicaid, or placing an ever-increasing burden on seniors, we should be supporting fair and sensible proposals to reduce health care costs, not allowing special interests to take advantage of loopholes.

I thank the Chair.

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