



Statement for the Record

Senate Committee on Finance

Hearing on Prescription Drug Price Inflation: An Urgent Need to Lower Drug Prices in Medicare

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On behalf of Families USA, I want to thank Chairman Wyden for holding this important and timely hearing, and offer my sincere appreciation to all of the witnesses and committee Members who are lifting up the impact that drug prices have on people all across this country. After decades of egregious price increases, it is time to solve the problem and reduce the burden of prescription drug costs on America's families. Families USA supports the provisions in the *Build Back Better Act* and *The Elijah E. Cummings Lower Drug Costs Now Act* that would grant Medicare the authority to negotiate the costs of drugs and believes that Congress should enact such provisions immediately.

The Impact of High Drug Prices on Families

While high drug prices are a source of seemingly constant policy debate in Washington, D.C., for millions of America's families, they are a painful and burdensome reality that often impacts their basic necessities of life. For example, consumers facing increased drug costs report cutting-back on key areas of their budget, such as buying food.ⁱ For some the choice is even more dire, with research showing that nearly three in ten adults – approximately 80 million people – in our country have not taken required medicine due to its costs.ⁱⁱ And, approximately one in five forgo essential medications altogether because they can't afford to fill their prescription.ⁱⁱⁱ

While people who need high-priced drugs often face the most significant financial pain from high and rising prices, the impact of the skyrocketing cost of drugs is spread across all consumers. In fact, almost 22% of a privately-insured health care consumer's monthly premium goes to prescription drugs.^{iv} This is a problem unique to America's families, with studies showing that people in America pay many times more than our peers in similarly advanced countries. For example, a recent RAND report found that drug prices in the United States are over 250% higher than prices in 32 other countries. For brand-name drugs, the figure rises to 344%.^v

The American People – Across the Political Spectrum – Want Action Now

Poll after poll shows that this is a pressing concern for the vast majority of people in this country, no matter their political persuasion. Nearly 9 out of 10 voters want Congress to act to address high drug prices.^{vi} 82% believe that the healthcare system today works more for the benefit of the drug industries and insurance companies rather than for the benefit of the average person, a sentiment that holds true across demographic groups and partisan lines. The same research found nine out of ten employers report that drug prices are among the greatest threats to affordability of health coverage for their employees.^{vii} Poll after poll, year after year show that families need relief and believe Congress should take clear action.

State Remedies are Limited without Action by Congress

Many states are doing everything in their power to address the drug affordability crisis for their residents but they need the federal government to take action if they are to have the ability to fully address high and rising drug prices. During the 2021 legislative session, state legislators in 44 states have filed 275 bills to control drug costs. Fourteen states have introduced legislation to create Prescription Drug Price Review Boards, which increase access to certain high-cost drugs by determining an affordable rate. Other states have introduced legislation to use international reference pricing approaches or to address egregious price increases on drugs that show no evidence of additional clinical benefit. These state efforts are challenged by lawyers from the pharmaceutical industry based on the theory that their

ability to set outrageous prices comes from the U.S. Congress and federal law.^{viii} And, without action from the federal government, state legislation can only do so much. ***Congress created the rules that drug manufacturers have so blatantly abused, and it alone has the power to truly solve the problem.***

Granting Medicare Authority to Negotiate Drugs is Critical

It is clear that families desperately need immediate legislative action to lower their outrageous drug costs, and Congress has already found an important solution. Authorizing Medicare to negotiate for fair prices would reduce the cost of drugs for millions of people at a time when it is most needed. As inflation soars across the country, it is critical that Congress take steps to reduce the day-to-day costs for families when possible; and over the last decade drug prices have increased much faster than most other household costs and much faster than our paychecks.^{ix} The American people are very clear that this is the solution they need. In fact, 95% of voters, across the aisle, overwhelmingly support giving Medicare the ability to negotiate for lower prices.^x

In addition to providing meaningful financial relief to individuals and families, Medicare price negotiation would save the U.S. government billions of dollars. A Congressional Budget Office and Joint Committee on Taxation analysis (of H.R. 3 as introduced in the 116th Congress) found that the price negotiation provision would lower spending by \$456 billion.^{xi} These savings could be utilized to provide additional support to families to make health care more affordable, including: providing new coverage options for low-income people in states that have refused to extend Medicaid and enhancing subsidies to make premiums more affordable in the health insurance marketplaces.

Members of Congress face difficult decisions on how best to help America's families every day – but allowing Medicare to negotiate for reasonable drug prices isn't one of them. It's time for action. Families USA appreciates the work of the Members and staff of the Senate Finance Committee in addressing this critical issue and we look forward to working with Chairman Wyden and Ranking Member Crapo to finally end abusive prescription drug costs.

ⁱ Gill, Lisa L. "How to Pay Less for Your Meds." Consumer Reports. April 5, 2018, <https://www.consumerreports.org/drug-prices/how-to-pay-less-for-your-meds/>

ⁱⁱ Kirzinger, Ashley, Lunna Lopes, Bryan Wu, and Mollyann Brodie. "KFF Health Tracking Poll—February 2019: Prescription Drugs." The Henry J. Kaiser Family Foundation. March 01, 2019. <https://www.kff.org/health-costs/poll-finding/kff-health-tracking-poll-february-2019-prescription-drugs/>.

ⁱⁱⁱ "Americans' Challenges with Health Care Costs" The Henry J. Kaiser Family Foundation, December 14 2021, <https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/>

^{iv} "Where Does Your Health Care Dollar Go?" AHIP. 2020. www.ahip.org/health-care-dollar/.

^v Andrew W. Mulcahy et al., "International Prescription Drug Price Comparison: Current Empirical Estimates and Comparisons with Previous Studies" Rand Corporation, 2021, https://www.rand.org/pubs/research_reports/RR2956.html

^{vi} Families USA, "Voters to Congress and President Biden: It's Time to Go Big on Health Care Reform" March 17, 2021, <https://familiesusa.org/resources/voters-to-congress-and-president-biden-its-time-to-go-big-on-health-care-reform/>; Dan Witters, "Nine in 10 Concerned about Rising Drug Costs Due to COVID-19," Gallup, June 18, 2020, <https://news.gallup.com/poll/312641/nine-concerned-rising-drug-costs-due-covid.aspx>; Gill, Lisa L. "The Shocking Rise of Prescription Drug Prices," Consumer Reports, November 26, 2019, <https://www.consumerreports.org/drug-prices/the-shocking-rise-of-prescription-drug-prices/>

^{vii} National Alliance of Healthcare Purchasers Coalitions. "Pulse of the Purchaser Survey: Healthcare Strategy and Beyond, September 2020 Results." <https://connect.nationalalliancehealth.org/viewdocument/pulse-of-the-purchaser-survey-heal>

viii “Legal Challenges to State Rx Laws” National Academy for State Health Policy, 2019,

<https://www.nashp.org/legal-challenges-to-state-rx-laws/>

ix Juliette Cubanski and Tricia Neuman, “Prices Increased Faster Than Inflation for Half of all Drugs Covered by Medicare in 2020” The Henry J. Kaiser Family Foundation, February 25, 2022 <https://www.kff.org/medicare/issue-brief/prices-increased-faster-than-inflation-for-half-of-all-drugs-covered-by-medicare-in-2020/>

x Sandra Wilkness, Kimberly Alleyne, and Natasha Kumar, “Affordable Medicines are Still Elusive: America’s Families Want Fair Prices.” December 11, 2020. <https://www.familiesusa.org/resources/affordable-medicines-are-still-elusive-americas-families-want-fair-prices/>

xi “H.R. 3, Elijah E. Cummings Lower Drug Costs Now Act” Congressional Budget Office, December 10, 2019, <https://www.cbo.gov/publication/55936>