



**Date:** December 12, 2017

**Topic:** Senate Health, Education, Labor & Pensions Committee Hearing: The Cost of Prescription Drugs: An Examination of The National Academies of Sciences, Engineering, and Medicine Report “Making Medicines Affordable: A National Imperative”

On December 12, 2017, WSW staff monitored the Senate HELP hearing on the cost of prescription drugs. The hearing examined a report from the National Academies of Sciences, Engineering and Medicine. There was bipartisan agreement that the high cost of drugs is an issue, but Republicans and Democrats differed on potential solutions. Several Democrats expressed their agreement with the Academies’ recommendation to allow Medicare to negotiate with pharmaceutical companies. Republicans disagreed and largely sought to explore increased competition and value-based pricing as possible solutions.

### **Witness**

[Mr. Norm Augustine](#)

Chair of Committee on Ensuring Patient Access to Affordable Drug Therapies  
National Academy of Sciences, Engineering and Medicine

[Mr. David Mitchell](#)

President and Founder  
Patients for Affordable Drugs

[Dr. Douglas Holtz-Eakin](#)

President  
American Action Forum

### **Opening Statement Highlights**

*Mr. Augustine*

- Recommendations have support of the majority of the Academy
- Academy members come from diverse backgrounds

- We spend 7% more of our GDP on health care more than any other country

*Mr. Mitchell*

- Has an incurable blood cancer and prescription drugs are keeping him alive
- Drugs don't work if people can't afford them
- Congress has to end patent abuses that circumvent Hatch-Waxman
- Called out Celgene's drug Revlimid as having abused the system to keep prices high
- Medicare should be able to negotiate prices
- Need for more transparency of the practices of pharmacy benefit managers

*Dr. Holtz-Eakin*

- By and large the markets are working well, but we have problems in specific areas
- Need to encourage entry and competition
- Need to make sure that we are lowering costs, not simply shifting costs
- Opposes having Medicare negotiate drug prices

**Committee Member Opening Statements**

Chairman Lamar Alexander (R-TN)

- Have heard from constituents about the cost of drugs
- Percentage of GDP spent on drugs
- Hospital stays and office visits accounts for half of health expenditures
- Differences between overall increase in drug spending and what a patient pays
- Many factors that affect what patients pay
- Report was published in May so it does not take into account policies passed since then (user fees, bill to encourage generics, prevent companies from taken unfair advantage of incentives for rare disease products)

Ranking Member Patty Murray (D-WA)

- High prices are an unsustainable burden on our health care system
- Committee has worked to increase transparency and competition in the generic industry
- Concerned about HHS nominee Alex Azar and his stance on pricing
- Trump Administration has rule on 340B is harmful and will not impact pricing

**Areas of Interest Covered**

*Direct to Consumer Advertising*

- Concerns about the impact these expenditures have on drug prices
- Potential to lead to unnecessary use of the drug
- Currently direct to consumer advertising is tax deductible

*Value-Based Pricing*

- Potential savings associated with paying for a drug based on how well it works for a patient
- Challenges associated with how value is defined
- Different from outcomes based pricing which several on the panel opposed

#### *Evergreening*

- Practice of making small changes to a product to extend patent life
- Contributes to “patent thicket”
- Prevents competition

#### **Committee Questions**

- **Chairman Alexander (R-TN)** – what percent of GDP should the U.S. be spending on drugs, often people at the pharmacy are seeing a bigger increase in price than the increase in net price, need for rebates
- **Ranking Member Murray (D-WA)** – impact of high drug prices on beneficiaries with public and private insurance, evidence that restrictions on 340B program would result in lower drug prices, REMS, pay-for-delay, evergreening
- **Sen. Paul (R-KY)** – people do not make their health care decisions based on cost because there is no transparency, need for more true competition, negative impact of evergreening (EpiPen is great example)
- **Sen. Casey (D-PA)** – potential for valued-based payment models, challenges with measuring value, prospects of delivery system reform
- **Sen. Isakson (R-GA)** – usefulness of priority review vouchers, Novartis proposal on paying for results, problems with drug advertising and impact on drug cost
- **Sen. Franken (D-MN)** – what additional authorities needed to address evergreening, value of Medicare negotiation
- **Sen. Collins (R-ME)** – imposition of gag clauses on pharmacists, proposal to ban practice of using gag clauses as condition for participation in the Medicare program, challenges of the “patent thicket” strategy

- **Sen. Bennet (D-CO)** – why is the U.S. paying a greater percentage of GDP on health care than any other country, potential changes to drug reimbursement under Part B
- **Sen. Cassidy (R-LA)** – how Medicare negotiations could impact drug companies and also venture capital needed for funding drug development
- **Sen. Warren (D-MA)** – Academy’s finding that coupons drive up the cost of, negative side of patient assistance programs
- **Sen. Kaine (D-VA)** – CVS-Aetna merger and potential for Amazon to enter pharmacy space
- **Sen. Young (R-IN)** – proposal to limit formularies and the potential impact on patients, impact of foreign country’s pricing systems on our system
- **Sen. Hassan (D-NH)** – condemned Allergan’s agreement with Native American tribes to extend patent life for Restasis, tax deduction for direct to consumer advertising
- **Sen. Baldwin (D-WI)** – need for transparency for drug list prices, lack of transparency instigates the “blame game” between different stakeholders in the supply chain
- **Sen. Whitehouse (D-RI)** – potential solutions to the situation when investor buys a pharmaceutical product with no competition and jacks up the price
- **Sen. Murphy (D-CT)** – impact on costs of “pharmaceutical detailing” or direct visits with physicians, what more can Medicare be doing to promote value-based pricing