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Opening Statement of Rep. Henry A. Waxman Chairman, Committee on Energy and Commerce “Prescription Drug Price Inflation: Are Prices Rising Too Fast?” Subcommittee on Health December 8, 2009

I thank Chairman Pallone for holding this hearing, and look forward to hearing from our witnesses.

I've been working on health and drug-related issues for 35 years. I helped pass the Waxman-Hatch generic drug legislation and have now been involved for years in oversight work on Medicare Part D.

I'd like to think that when it comes to prescription drugs and the drug industry, nothing surprises me anymore.

But the recent increases in prescription drug prices shocked everyone.

Our nation is trying to recover from the largest economic downturn since the Great Depression. The Consumer Price Index has actually dropped over the last year. Social Security checks will remain stagnant. Millions of Americans have lost their jobs and their health insurance.

Yet, the brand-name prescription drug industry raised prices by more than 9% over the last year.

These price increases ripple through our health care system with devastating implications. They increase out of pocket costs for drugs and drive up insurance premiums. They increase the cost of the Medicare Part D program. And they mean that more and more citizens — some with insurance, some without — are forced to go without the drugs they need to remain healthy.

And reports indicate that this problem may be getting worse, not better. The drug price increases over the last year are the biggest in years. This past weekend, *The New York Times* reported that Allos, the manufacturer of a new cancer drug called cFolotylin, will be selling this

drug for \$30,000 a month. \$30,000 per month. And the drug hasn't even been shown to increase the life expectancy of those who take it.

It is hard to escape the conclusion that the industry is positioning the pricing of its products for enactment of the new health reform legislation.

When Americans hear about these soaring drug prices, they are absolutely right to demand to know what Congress is doing about it.

In the House, led by members of our Committee, we are trying to tackle this problem. Last month, the House passed historic health care reform legislation, and I am confident that the Senate will soon follow.

The House legislation provides health insurance, including drug coverage, for 36 million citizens who would otherwise be without it. And it closes the Part D donut hole, meaning that seniors will no longer have to stop taking drugs when their coverage runs out.

These changes will mean billions of dollars in new market opportunities for pharmaceutical manufacturers. That's appropriate. We need a profitable brand-name drug industry in this country. The industry's scientific breakthroughs improve healthcare and quality of life for millions.

But we cannot write the pharmaceutical industry a blank check as we reform the health care system.

The House health care reform bill strikes an important balance that puts consumers and taxpayers first. In return for the billions of dollars in new market opportunities, we require that the drug industry provide additional discounts for the Medicaid program. And we end the multi-billion dollar windfall that the industry received when dual-eligible enrollees were switched from Medicaid to Medicare Part D drug coverage.

The House bill uses the money raised from these industry concessions to help millions of Americans afford health care coverage and to close the Part D donut hole. This is a policy outcome that is good for America and the right prescription for PhRMA.

To date, the Senate has so far not gone as far as the House with their drug-related provisions. When we do sit down with the Senate, I think the pharmaceutical industry's recent price increases will be exhibit A on why we need new provisions to protect taxpayers, Part D enrollees, and others with and without insurance from exorbitant prescription drug costs.

Thank you Mr. Chairman.