Written Testimony by Alex M. Azar II
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on
President Trump's Drug Pricing Plan
before
United States Senate Committee on Finance

Mr. Chairman, Ranking Member Wyden, and Members of the Committee, thank you for the opportunity to appear before you to discuss an important issue: why prescription drug prices are too high, and what we are doing about it. I know members of this committee are serious about taking on this challenge..

Drug pricing was one of the very first topics I mentioned when I appeared before this Committee during my confirmation process earlier this year, and I appreciate the Finance Committee's efforts in this area.

From Day One of his administration, President Trump has directed HHS to make drug pricing a top priority. Too many of our family members, neighbors, and friends have worked hard their entire lives only to see their savings wiped out just to afford drugs they need to live.

Earlier this year, the President's 2019 Budget laid out a range of proposals for lowering drug prices, including through reforms to Medicare and Medicaid.

In May, building on the budget, the President released a blueprint to put American patients first by lowering drug prices and reducing out-of-pocket costs. This blueprint is a plan of action for how to bring prices down while keeping our country the world's leader in biopharmaceutical innovation, and lays out dozens of possible ways HHS and Congress can address this vital issue. Some of these proposals came out of Congress, and we look forward to working with you as we take action.

Over the last decade, four significant problems have arisen in the pharmaceutical market: high list prices set by pharmaceutical manufacturers; seniors and government programs overpaying for drugs due to lack of the latest negotiation tools; rising out-of-pocket costs; and foreign governments free-riding off of American investment in innovation.

The President's blueprint lays out four strategies for tackling these problems, and we have begun to take action on each of them already.

First, we need to create the right incentives for list prices. I know firsthand the serious problems with today's complex system of drug pricing. Right now, everyone in the system makes their money off of a percentage of list prices: both drug companies and pharmacy benefit managers,

who are supposed to keep prices down. Everybody wins when list prices rise—except for the patient, whose out-of-pocket cost is typically calculated based on that price.

One of HHS's initial actions is working to require drug companies to include their list price on their television commercials. For example, Americans deserve to know the price of a wonderful new drug they hear about on TV—before going to ask their doctor about a product they may find unaffordable. But more fundamentally, we may need to move toward a system without rebates, where PBMs and drug companies just negotiate fixed-price contracts. Such a system's incentives, detached from artificial list prices, would likely serve patients far better.

Second, we need better negotiation for drugs within Medicare—that is what President Trump has promised, and it's what we're going to deliver.

In Medicare Part D, HHS will work to give private plans the market-based tools they need to negotiate better deals with drug companies. Part D is a tremendously successful program, but it has just not kept pace with innovations in the private marketplace, leading seniors and taxpayers to lose out. Well-intended patient protections may be preventing prescription drug programs from appropriately managing utilization, even in accordance with the formulary created by doctors and pharmacists and approved by CMS. While everyone agrees in the importance of the drugs in Part D's protected classes list, manufacturers often use that list as protection from paying rebates.

We also want to bring negotiation to Medicare Part B, physician-administered drugs. Right now, HHS just gets the bill, and we pay it. This system may actually be driving doctors to prescribe more expensive drugs, while potentially tempting drug companies to develop drugs that fit into Part B rather than D. We are going to look at ways to merge Part B drugs into Part D, to create competition where savings can be safely obtained, and leverage existing private-sector options within Part B.

Third, we need a more competitive pharmaceutical marketplace. Thanks to the reforms Congress passed in the 1980s, America has the strongest generic drug market of any country in the world.

But there are still too many ways that drug companies are unfairly blocking competition. Since the rollout of the Trump Administration blueprint, FDA has publicized the names of companies who may be using safety programs to block competition, and issued two new guidances to help lessen the effects these actions may have on generic approvals. This work follows many FDA accomplishments under Commissioner Scott Gottlieb, including record-setting generic drug approvals in 2017 and measures to build on Congress's work to build a market for biosimilars.

Finally, we need to bring down out-of-pocket costs for American patients. Patients should not be dropping their drug regimen because of high costs. Since the blueprint rollout, CMS has reminded Medicare Part D plans of its existing policy which requires plan sponsors to ensure enrollees pay the lesser of the Part D negotiated price or copay, or be subject to CMS compliance

actions making it unacceptable to bar pharmacists from working with patients to identify lower cost options. More broadly, you ought to know how much a drug costs, how much it's going to cost you, and whether there are any cheaper options, long before you get to the pharmacy counter. We look forward to working with Congress and stakeholders to understand how best to deliver this level of transparency.

Thank you again for having me here today. What I have laid out are just some elements of an aggressive, long-term plan to solve the problem we all care deeply about. I look forward to taking your questions and discussing ways we can work together to bring down prescription drug prices and help American patients.