STATEMENT OF LEIGH PURVIS
ON BEHALF OF
AARP

BEFORE THE
U.S. HOUSE ENERGY AND COMMERCE
SUBCOMMITTEE ON HEALTH
ON

"Lowering Prescription Drug Prices: Deconstructing the Drug Supply Chain"

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Good afternoon, Chairwoman Eshoo, Ranking Member Burgess and members of the subcommittee. My name is Leigh Purvis, and I am the Director of Health Services Research in AARP's Public Policy Institute, where I lead AARP's prescription drug policy work. AARP is a nonpartisan, nonprofit, nationwide organization with nearly 38 million members in all 50 States, DC, and the U.S. territories. Thank you for the opportunity to talk about rising prescription drug prices and their impact on older Americans.

Prescription drug prices are a high priority for AARP and its members. Older Americans struggle to afford needed and life-saving medications. Medicare Part D enrollees take an average of 4-5 prescriptions per month, and over two-thirds have two or more concurrent chronic illnesses. At the same time, most Medicare beneficiaries live on modest incomes, with an annual median of just over $26,000. One-quarter have less than $15,000 in savings. This is not a population that has the resources to absorb rapidly escalating prescription drug prices and many are facing the very real possibility of having to choose between their medication and other basic needs such as food or housing.

It should come as no surprise that our members consistently tell us they cannot afford the medications they need and are forced to make difficult choices as a result. In a recent survey of voters age 50 and older, 80% say they take at least one prescription medication and 72% say they're concerned about the cost of their medications. Moreover, 60% say prescription drug costs are unreasonable and many indicate they have or will need to make trade-offs in order to afford their medications.

In response to these calls for action, AARP launched our "Stop Rx Greed" campaign in March. Our campaign calls on state and federal legislators to enact solutions that target the root of this problem – the prices set by drug manufacturers. At the federal level, AARP is focused on three key priorities: 1) increasing generic competition; 2) imposing an out-of-pocket cap for Medicare Part D; and 3) allowing Medicare to negotiate for the price of prescription drugs covered by Part D. While there is no silver bullet to a problem of this scope, we believe that these three reforms will go a long way to making prescription drugs more affordable for older Americans and taxpayers and help protect critical programs like Medicare and Medicaid.

We hear from our members about the challenges they face in affording their medications. One of our members – Larry Zarzecki from Maryland – suffers from Parkinson's disease, which forced him to retire from law enforcement 10 years ago. Even with his insurance, he pays $3,200 every month for his prescription drugs. In his words, he's pays for his medications with "credit cards and juggling Peter to pay Paul," and has recently started tapping into his IRA to help pay for his prescription drugs.

Then there's the story of Joan Tramontano, an AARP member from Florida. Diagnosed with a gastrointestinal cancer, Joan was prescribed Gleevec following surgery, hoping to prevent her cancer from returning. After spending approximately $60,000 on this drug, Joan made the wrenching decision to stop taking it and risk her cancer returning rather than go bankrupt. Joan – like many retirees – lives on a fixed income, and simply cannot afford to drain her retirement savings to pay for a medication—even one that could potentially save her life. No one should be asked to make that kind of choice.

Today's high drug prices are part of what appears to be a never-ending race to the top. High-priced specialty drug approvals have exceeded traditional drug approvals since 2010, and the number of people using such drugs is growing. Meanwhile, the research pipeline is full of products like orphan drugs, biologics, and personalized medicines that face little competition and will undoubtedly command even higher prices.

AARP has been tracking the prices of widely-used prescription drugs since 2004. A recent Rx Price Watch Report found that the retail prices of widely used brand name drugs increased by an average of 8.4% in 2017 – four times the rate of inflation.

We also examined how drug companies' relentless price increases add up over time and found that the annual cost of one brand-name drug therapy – now around $6,800 – would have been just under $2,200 in 2017 if retail price changes had been limited to general inflation between 2006 and 2017.

Our work also found that the average annual price increases for brand name drugs has exceeded the corresponding rate of inflation every year since at least 2006. More importantly, this problem goes beyond a few bad actors: virtually all of the manufacturers we track have consistently raised their prices over the past 12 years.

On the other hand, our most recent Rx Price Watch Report focused on widely used generic drugs found that the vast majority had price decreases in 2017. In fact, generic prescription drug prices fell by an average of 9.3% that year. We also found that the average annual price of a brand-name drug was more than 18 times higher than the average annual price for a generic drug. This massive price difference has been growing over time, and is exactly why AARP is so focused on eliminating unnecessary barriers to generic competition.

AARP is also mindful that high and growing prescription drug prices are affecting all Americans in some way. Their cost is passed along to everyone with health coverage through increased health care premiums, deductibles, and other forms of cost-sharing, as well as to all taxpayers.

We have also seen massive increases in Medicare spending on prescription drugs. Between 2009 and 2017, Medicare Part B drug spending more than doubled from $15.4 billion to $32.0 billion. Total Medicare Part D spending is approaching $150 billion. According to MedPAC, this spending growth has been driven by both higher prices for existing drugs and higher launch prices for new drugs. These escalating costs will eventually affect all of us in the form of higher taxes, cuts to public programs, or both.

In other words: every single person in this room is paying for high prescription drug prices, regardless of whether you are taking one yourself.

In conclusion, current prescription drug price trends are simply not sustainable. There is no reason Americans should continue to have to pay the highest brand-name drug prices in the world. No one should be forced to choose between buying groceries and buying the prescription drugs they need.

It is long past time for Congress to take action to reign in high drug prices and we appreciate the leadership of this committee. Thoughtful efforts to help reduce prescription drug prices could save tens of billions of dollars for patients, taxpayers and our health care system. More importantly, they will help ensure that all Americans have affordable access to the drugs that they need to get and stay healthy.

Thank you and I look forward to your questions.