

Committee on Energy and Commerce
Opening Statement as Prepared for Delivery
of
Subcommittee on Oversight and Investigations Ranking Member Kathy Castor

Hearing on “At What Cost: Oversight of How the IRA’s Price Setting Scheme Means Fewer Cures for Patients”

September 20, 2023

For the first time, Americans who rely on Medicare will enjoy lower costs for prescription drugs thanks to the Inflation Reduction Act that Democrats passed last Congress. Finally, 20 years after Part D was passed we put “people over politics” and empowered HHS to negotiate lower costs for lifesaving drugs, giving older Americans lower prices and peace of mind.

Already many Americans are enjoying the \$35/month cap on insulin and no-cost vaccines (like shots for shingles and whooping cough) pursuant to the Inflation Reduction Act. That has translated into an average savings of \$440 annually for thousands of my neighbors in the Tampa Bay area. And starting in 2025, no senior will pay more than \$2,000 in out-of-pocket costs annually for their prescriptions. So, when fair and negotiated prices for the highest costs drugs are finalized in the coming years, seniors will enjoy even more money back in their pockets.

The U.S. Department of Defense negotiates drug prices. The Veterans Administration negotiates drug prices. Now, HHS will negotiate fair and reasonable prices according to the detailed process established by Congress that is similar to the way HHS negotiates for every other product and service that Medicare pays for.

Lifting the bar on negotiation was long overdue. Afterall, Americans pay more for prescription drugs than citizens of other countries. Why? Because other countries negotiate fair prices and consider the benefits and effectiveness of prescription drugs. Americans deserve the same.

Big Pharma outlandishly claims that the Constitution gives them the right to charge out-of-control, take-it-or-leave-it prices on prescription drugs. That is absurd. There is no constitutional right for drug companies to dictate the price of lifesaving drugs to American taxpayers. To the contrary, participation by drug companies in negotiation is voluntary.

For decades, Big Pharma has peddled the canard that exorbitantly high prices are necessary to support research and development. But the truth is that Pharma’s soaring profits, huge marketing budgets and generous shareholder returns far exceed what they invest in R&D. From 2019 through 2021, the five biggest pharmaceutical companies spent \$13 billion more on giveaways to shareholders than they did on research and development. And the industry spent \$8.1 billion on direct to consumer advertising last year alone.

While one in four Americans report that they struggle to pay for their prescriptions, each of the 15 highest-paid pharma CEOs made over \$15 million in base salary, bonuses, and stock options in 2021. So the pharmaceutical giants don't like the change to their bottom lines and are fighting in courts across the country to stop savings for everyday Americans, even as their CEOs rake in millions of dollars year after year. Furthermore, drugs will only be subject to negotiations between 9 and 13 years after coming to market—giving manufacturers nearly a decade to recover on their investments.

Republicans in Congress are parroting industry talking points, but the non-partisan Congressional Budget Office has debunked the claim that innovation will suffer, finding that the law's impact on the development of new drugs will be minimal while the savings to taxpayers will be immense. Many analysts agree that the new structure provides an incentive to innovate: now, drug manufacturers need to make sure that their product offers real clinical benefit to justify their prices.

At a time when MAGA Republicans are threatening a costly government shutdown, it's important to remind everyone that granting Medicare the authority to negotiate reasonable drug prices is fiscally responsible. Medicare negotiation is estimated to save \$100 billion over ten years, and these savings will allow Medicare to provide additional benefits to seniors or further reduce out of pocket costs for our seniors.

And if Republicans truly cared about innovation, they wouldn't be threatening to cut NIH's budget by as much as \$2.8 billion next year! The NIH is the single largest source of biomedical research funding in the world and was essential to the development of every single one of the 356 drugs approved by the FDA from 2010-2019, totaling more than \$230 billion.

The Majority has titled this hearing "At What Cost." They are clearly concerned about the cost to pharmaceutical companies' bottom lines rather than the pocketbooks of our neighbors at home. Why are Republicans willing to hold seniors hostage to Big Pharma's profiteering? This has bothered me since Medicare Part D was first adopted in 2003 and barred HHS from negotiating prices. Many people, including myself, were appalled that the lead negotiator in Congress left to become the President of Big Pharma at a salary of millions of dollars. It stunk to high heaven and is one of the reasons I ran for Congress. I urge my Republican colleagues not to throw a wrench into critical reform.

Our neighbors have waited long enough for fair prices for important medications. I am proud that Democrats delivered and we intend to defend lower costs and greater sustainability Medicare.

I yield back.