

United States Senate Committee on Finance

Opening Statement of Sen. Chuck Grassley

Hearing, "Prescription Drug Pricing and Negotiation: An Overview and Economic Perspectives
for the Medicare Prescription Drug Benefit"

Thursday, January 11, 2007

I want to thank Senator Baucus for holding today's hearing. Today's hearing is the Committee's first on health care of the new Congress. The Committee has an important health care agenda this year. We have the reauthorization of S-CHIP, and we're going to need to spend some time on physician payment issues. I look forward to working on that agenda with the Chairman and members of the Committee.

The topic of today's hearing has received a lot of attention over the past few years. I think we'd all agree that's actually an understatement. A lot of political hay has been made about the so-called prohibition on Medicare negotiating with drug makers for lower prices under the Medicare drug benefit. We all know, though, that the law doesn't prohibit Medicare from negotiating, it prohibits the government from interfering in those negotiations.

Those negotiations take place between Medicare prescription drug plans, which have years of experience in that area, and the drug makers. And it's working. Competition among plans has lowered costs for the taxpayers and beneficiaries. It has led to lower drug prices. Nevertheless, here we are, with Congress set to consider legislation to fundamentally change the prescription drug benefit. This change is being proposed after just one full-year operation and two rounds of bids by plans. I might add that this year's bids came in 10 percent less than last year's bids. I've said it before and I'll say it again: the Medicare drug benefit is not perfect. There are improvements that can be made.

The Chairman and I spent many hours working together on the Senate version of the Medicare drug benefit. And in my opinion, the Senate bill had some important features, which are better than what's in the law. For example, the Senate bill did not have an asset test for the low-income subsidy. But one area that is working well is the negotiating power of Medicare drug plans. After we get past this issue, I hope that we can work in a bipartisan way to look at constructive improvements in the benefit, such as eliminating the asset test. I also think we need to look at pharmacy issues and aspects of the enrollment process.

But let me go back to the matter at hand. Chairman Baucus, I just want to say that you deserve credit for holding today's hearing. You've assembled a panel of experts who will help the Committee have a meaningful discussion so it can consider this issue in a thoughtful and deliberative way, rather than one caught up in politics. The campaign slogans and sound bites are easy -- have it work like the VA, just have the government negotiate. But I really don't think that many people have a clear understanding of how drug pricing and purchasing works today and what any changes to how Medicare purchases drugs could mean in the way of higher costs mean for small businesses, for example. And past experience shows that changes along the lines proposed by some people would have some pretty painful consequences, namely higher drug prices. Again, this hearing will help shed more light on these issues.