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Hatch Opening Statement at Drug Affordability and Innovation Hearing

Azar Testifies

WASHINGTON – Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a hearing on drug pricing and innovation with Health and Human Services (HHS) Secretary Alex Azar:

We are pleased to have Secretary Azar appear before the committee today, and I know members on both sides of the aisle are eager to hear from him on the Trump administration's plans to lower prescription drug costs.

I was in the Rose Garden when the president announced his plan to put patients first by lowering prescription drug and out-of-pocket costs to consumers.

I commend the president and the secretary for their focus in this area and for releasing this comprehensive blueprint.

I also appreciate that HHS is seeking feedback from the public on the policy ideas in the blueprint. The administration is prudent to work through options by properly consulting those affected by these policies first.

As we continue to develop policy options, it is imperative to understand the impact on patient access, affordability and innovation before taking any specific action.

To that end, today is a golden opportunity for members to discuss policy proposals and ideas in the blueprint, which contemplates many weighty issues that would seriously change the current way of doing things.

And on that note, I believe that those who have criticized the blueprint as insufficient are either responding from a lack of knowledge or purely for political gain.

Now, I bring to the table decades of experience of working on drug pricing. That's why we've titled today's hearing in a way that clearly explains the heart of these issues: "Prescription Drug Affordability and Innovation."

This hearing title references a concept that has been very important to me throughout my time in the Senate.

After all, the goal is to help consumers, and the best way to do that is to balance both affordability and innovation.

Over three decades ago, I championed the Drug Price Competition and Patent Term Restoration Act, what has since become known as Hatch-Waxman.

As I noted in an editorial that ran in Roll Call yesterday, the Hatch-Waxman law established a system for regulating drugs that rewards new products while encouraging generic competitors.

Around that same time, I sponsored the Orphan Drug Act.

And I am proud to say that law has resulted in new treatment options that have enhanced care and drastically improved the quality of life for hundreds of thousands, if not millions, of people that live with rare diseases.

Those two bills are just the tip of the iceberg though. I have since spearheaded numerous other legislative initiatives to address shortcomings in the system and to capitalize on opportunities for improvement.

I brokered the agreement that allowed physician-administered biologics to flourish—providing effective treatment for many cancers and other serious medical conditions.

More recently, I have successfully advocated for policies that promote development of biosimilars as a way to foster competition and lower costs.

I do not bring up this history to boast, but to point out that the pursuit of the balance of affordability and innovation has served us well.

Now, nearly 90 percent of prescription drugs dispensed to patients are generics. Yet, we also have realized life-altering breakthroughs in treatment.

Maintaining this balance must be a part of the conversation here today and as we move forward.

And any lasting solution must continue to be market-driven.

The Medicare Part D prescription drug program is built on a system of private entities competing on price and service. This private-sector approach is ingrained in the design of the Part D program, which wisely forbids the government from interfering with the negotiations between these private entities.

For Part B drugs and biologics, Medicare pays based on the average price that the manufacturer charges to other payers. This effectively represents a rate negotiated in the private sector.

Don't take this to mean the way Medicare pays for prescription drugs is perfect. There is certainly room for improvement.

But the fact that the United States continues to be a pharmaceutical research and development powerhouse is in large part because we have long preserved the market-based approach.

It is vastly superior to the alternative of direct government involvement and price-setting.

After all, the private sector has proven time and again that it is far better suited at identifying challenges and turning them into opportunities.

One persistent challenge is that certain key drugs and items are in such short supply that hospitals and other providers can't even purchase them in sufficient quantity. These drug shortages, which include generic medications, threaten patient care and demonstrate a weakness in our system.

I am proud to say that my home state of Utah is taking a leadership role by creating a market-based response.

Utah-based Intermountain Healthcare has joined with other like-minded systems across the country to form a generic drug company.

This new venture will fill a market need by producing and distributing drugs that are in shortage.

This new company will also provide more competition that will improve prices and opportunities for consumers.

There are others, too, like some commercial health plans that have responded to market demand by offering prescription drug coverage options that pass along the negotiated discounts and rebates to their enrollees at the point of sale, rather than only through lower premiums.

Turning back to the president's blueprint, it contains policy ideas related to Medicare and Medicaid that merit serious consideration.

Take for example the idea of paying for a drug based on its success in achieving the intended patient benefit holds promise, especially for novel, breakthrough therapies that do not yet have competition.

We should explore how these value-based arrangements can work within our federal health programs.

We should also assess how we can modernize the popular Part D program because it is now more than ten years old.

And a review of the Part D program should involve action to mitigate the change in the bipartisan budget deal enacted earlier this year that increased the discount that manufacturers are required to provide on drugs in the coverage gap.

This misguided change has only dampened some of the competitive forces that have made the program so successful.

We will soon hear from Secretary Azar on the policy ideas in the blueprint. It will be important to understand how the policies in the blueprint would impact not only the list price but patient access, beneficiary premiums and other cost-sharing, as well as innovation.

As the vast majority of the blueprint's policies are in the jurisdiction of the Finance Committee, this engagement with the secretary will inform how we move forward.

Before I conclude my opening remarks, I must say that I suspect that some of my colleagues may want to talk about other pressing issues that touch on HHS's jurisdiction.

To head off just one such issue, I have made my position on the situation at our Southern border known—we must keep families together as we work to avoid illegal border crossings.

We also need to ensure that children who have been separated from their parents are reunited, and I know the Secretary is working aggressively to do so.

However, my experience tells me that our time at this hearing will be best spent discussing the issues we all have prepared for weeks to talk about with Secretary Azar.

After all, the cost, innovation and availability of prescription drugs is a deeply important and often life-or-death issue for millions of our constituents each day.

My hope is that we can all take advantage of the opportunity before us today and stay focused on the agreed upon subject matter of this hearing.

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