

****EMBARGOED UNTIL TUESDAY, AUGUST 21, 2018, AT 3:00 p.m.****



**STATEMENT OF LEIGH PURVIS
ON BEHALF OF AARP**

**BEFORE THE U.S. SENATE DEMOCRATIC POLICY
AND
COMMUNICATIONS COMMITTEE
ON**

**“AMERICA SPEAKS OUT: THE URGENT NEED TO
TACKLE HEALTH CARE COSTS AND PRESCRIPTION
DRUG PRICES”**

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Washington, DC**

**For further information contact:
Amy Kelbick
Federal Health and Family
Government Affairs
202-434-2648**

Good afternoon, Senator Stabenow and members of the committee. I want to thank you for the opportunity to be with you here today. 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 efforts.

I would like to start off with some background on why AARP focuses on prescription drugs. Quite simply, it's the prices. A bit of historical perspective: About 30 years ago, there was a great deal of public outrage over a drug that cost less than \$10,000 per year. We now have drugs with prices approaching \$1 million per year. In other words, we have gone from drugs with one-year prices that are equivalent to a small car—which some would say is already too much—to drugs with prices that are equivalent to a 3,000 square foot house in the DC area.

Increasing drug prices hit older Americans particularly hard. Most Medicare beneficiaries live on relatively modest incomes. The median income is just over \$26,000 and one-quarter have incomes of just over \$15,000. They also have limited financial resources—one-quarter have less than \$15,000 in savings. In other words, this is not a population that has the resources to absorb high and increasing prescription drug prices, and many are facing the very real possibility of being unable to afford the medications they need.

AARP is also concerned that the prices that we're seeing now are the tip of the proverbial iceberg. 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 do not face much competition and will undoubtedly command even higher prices in what appears to be a never-ending race to the top.

As if all of this wasn't bad enough, the prices of prescription drugs often continue to grow after they come on the market. A recent AARP Public Policy Institute Rx Price Watch report found that the average annual price increase for nearly 800 widely used brand name, generic, and specialty prescription drugs was more than 50 times higher than the rate of general inflation in 2015. This finding is not new: the average annual price increases for these same products has exceeded the corresponding rate of inflation every year from 2006 through 2015. When translated into an annual cost of therapy, these trends have led to an average cost that is more than three times higher than it was in 2006, the year Medicare implemented Part D..

Unfortunately, older adults are particularly vulnerable to these trends. Medicare Part D enrollees take an average of 4.5 prescriptions per month, and over two-thirds have two or more concurrent chronic illnesses. Thus, when AARP talks about high prescription drug prices, we're often talking about costs that patients will face every year for the rest of their lives.

Regrettably, AARP is very familiar with how high prescription drug prices affect older Americans. I regularly hear from members who are desperately seeking help because

they cannot afford their prescription drugs. These calls are not limited to just a few drugs and conditions—I've heard from people who need everything from insulin to eye drops to multiple sclerosis drugs. And in most cases, there was very little that we could do. Unfortunately, these patients are ultimately forced to make trade-offs—do you pay rent or do you take your prescription drugs as prescribed?—or simply go without, which ultimately increases health care costs down the road.

AARP is also mindful that the problems created by high drug prices are not limited to people who are actually taking prescription drugs. Spending increases driven by high and growing drug prices will eventually affect all Americans in some way. They are passed along to everyone with health coverage in the form of increased health care premiums, deductibles, and other forms of cost sharing. Further, increased costs for taxpayer-funded health programs like Medicare and Medicaid will eventually affect all Americans in the form of higher taxes, cuts to public programs, or both.

In other words, every single person in this room is already paying for these products.

AARP has long-supported a number of ways to address high drug prices, including secretarial negotiation. According to the Medicare Payment Advisory Commission, or MedPAC, the prices of single-source brand name drugs covered under Medicare Part D grew by 173 percent between 2006 and 2015. Allowing Medicare to negotiate with drug companies on behalf of its 50 million beneficiaries could help slow this price growth and is also incredibly popular with AARP members and the public more broadly, with approval ratings that can exceed 90%.

AARP also strongly supports policies that would result in more price competition and lower costs for both beneficiaries and the federal government. This includes removing barriers and practices employed by brand name drug companies that slow or prevent less expensive generics from entering the market, such as making it difficult for generic drug companies to access the brand name drug samples they need to develop their products.

In addition, AARP strongly supported the recently enacted improvements to the Part D donut hole. Not only is the donut hole closing a year earlier, but drug manufacturers will be picking up a larger share of costs in the coverage gap. Both of these changes will result in lower costs for Medicare beneficiaries with high prescription drug costs. It's estimated that beneficiaries are expected to save \$6.7 billion in both premiums and cost-sharing between 2020 and 2027. Moreover, CBO found that this change will save the federal government nearly \$12 billion over the next 10 years. While the drug industry is attempting to rollback these changes, AARP strongly believes that the new improvements must be maintained.

In conclusion, current prescription drug price trends are not sustainable. The current system is simply shifting costs onto patients and taxpayers while drug companies remain free to set incredibly high prices and increase them any time that they want. Thoughtful efforts to help reduce prescription drug prices could save billions of dollars.

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.