

Opening Statement of Senator Herb Kohl
Special Committee on Aging Hearing
Paid to Prescribe?: Exploring the Relationship Between Drug Companies and Doctors
June 27, 2007

I call this hearing to order and welcome all of our witnesses.

Today, we will examine the financial relationship between the pharmaceutical industry and physicians. Interactions between the doctors and drug manufacturer representatives often involve payments that can actually take the form of cash and gifts such as meals, travel to conferences, or textbooks. Unlike other professions, physicians are allowed to take payments from companies whose products they may choose to prescribe to their patients.

Recent studies show that the more doctors interact with drug marketers, even through receiving small gifts and modest meals, the more likely doctors are to prescribe the expensive new drug that are being marketed to them when a more affordable generic would do. Seniors lose out with unnecessarily high drug costs while doctors and drug manufacturers benefit financially.

But rising drug prices don't only harm the elderly – they hurt us all as they undermine our private and public health systems. Health insurance premiums continue to skyrocket, and escalating drug costs have played a large role. And the federal government, now the largest payer of prescription drugs with the new Medicare drug benefit, feels the squeeze as well. Even more alarming, these gifts and payments can compromise physicians' medical judgment by putting their financial interest ahead of the welfare of their patients.

Over the last several years there have been attempts by the federal government, medical organizations, and drug companies to curb the excessive gifts and payments to physicians. Unfortunately, as we'll hear from some of our witnesses today, financial ties between doctors and drug companies are only deepening.

In fact, a study published in the *New England Journal of Medicine* early this year reported that 94% of physicians have received food and beverages, medication samples, and other gifts and payments from drug companies.

The pharmaceutical industry remains one of the most profitable industries in the world, returning more than 15% on investments. As a businessman myself, I respect an industry's right to maximize profits. Nevertheless, they are charging Americans the highest drug prices in the world, forcing some employers to drop health coverage for employees, squeezing the budgets of state and federal government, and ultimately harming our seniors by putting drug costs out of their reach.

It has been estimated that the drug industry spends \$19 billion annually on marketing to physicians in the form of gifts, lunches, drug samples and sponsorship of education programs. Companies certainly have the right to spend as much as they choose to promote their products. But as the largest payer of

prescription drug costs, the federal government has an obligation to examine and take action when companies unfairly or illegally attempt to manipulate the market.

Today's witnesses will discuss the current state of the physician/drug industry relationship, recent attempts at the state level to increase disclosure of payments, and attempts to reduce the influence of the drug industry on physician prescribing behaviors. We'll also hear testimony from one doctor who feels these potential conflicts of interest have reached a disturbing level in his profession and is adversely affecting medical research. Our final panel will include representatives of the pharmaceutical industry and the medical profession. They will provide us insight into their voluntary guidelines addressing physician gifts and payment.

We look forward to hearing each of our witness's perspectives on this issue and their recommendations. I take this issue very seriously and will continue oversight of the relationship between doctors and the drug industry. While there are voluntary guidelines already in place, it is clear they are not being followed. I intend to vigorously pursue stronger adherence to these guidelines, as well as propose a national registry to require disclosure of payments and gifts. We need transparency, at the minimum and at the outset. Many of these gifts are not illegal, but we need them disclosed. These interactions involving things of value between the pharmaceutical industry and doctors must be made public.

I thank everyone for their participation today.