

Statement of Senator Gordon H. Smith
Aging Hearing on Importation
January 26, 2005

I would like to welcome everyone to the Senate Special Committee on Aging's first hearing of the 109th Congress. We have an outstanding hearing planned for today with testimony from Surgeon General Richard Carmona and other witnesses who can speak to the topic – Internet Pharmacies and Prescription Drug Importation: Exploring the Risks and Benefits.

As this is the first hearing, I would like to inform everyone that we will continue with the Committee's practice of allowing all members of the Committee to make a five minute opening statement. Following these remarks, we will turn to Surgeon General Carmona for his testimony and then allow everyone to ask their questions. To ensure that everyone has an opportunity to ask their questions, I will request that we limit ourselves to five minutes in the first round. Thank you.

The Aging Committee has a storied history. For over four decades this Committee has given a voice to the millions of Americans over age 65 by researching, publicizing and legislating on issues of importance. It has shined a light on unspeakable abuses, brought to justice those who would try to defraud America's seniors and helped shape public policy. It has done so with a very bipartisan spirit, one which I eagerly embrace and will carry forward.

I am honored to be the thirteenth chairman of this committee and to have an opportunity to continue to lead in this area. For the coming year, I am eager to work with my colleagues from both parties to impact key legislative priorities. I also plan to continue the Committee's tradition of performing oversight activities of the appropriate agencies and will rigorously investigate allegations of wrongdoing against seniors.

The President has challenged the Congress to devote time and resources to reviewing the Social Security program and determine the best means to ensure its long-term solvency. Over the next six months, this Committee will be holding a series of hearings focused on this issue. We will be looking at Social Security's long-term solvency, and also discussing the larger picture of financial security for retirees. You see, Social Security is but one component in this bigger picture and we as a nation must understand the importance of Social Security as it relates to the broader issue of retirement security.

Along with Social Security, the Medicare program has been a key component to ensuring seniors' independence and health. It delivers access to health care for all. In 2003, as a member of the Senate Finance Committee, I helped craft legislation that modernized the Medicare program by adding a prescription drug benefit. This benefit alone is the largest enhancement to Medicare in the history of the program. It was an important modernization, and as the Centers for Medicare and Medicaid begin implementation it is the Committee's responsibility to oversee this process and ensure that the new benefit meets the needs of Medicare's beneficiaries. To do so, the drug program must be simple, easy to navigate and provide real savings. We also must ensure that as we transition the so-called dual-eligibles into the Medicare drug program, they receive comparable assistance to the benefit provided by Medicaid. Often, these are the oldest, poorest and sickest citizens; we must ensure they are taken care of.

Given that it is the health care safety net for over 50 million people and provides the only coverage for long-term care, the Committee also will spend time reviewing the future of the Medicaid program. Many challenges have faced this program over the past few years, and during that time it has become apparent to me that Congress must take an extensive review of the program and chart its course for the next generation. Medicaid has served our country's low-income and disabled populations well, but to ensure that it can continue we must revisit its mandate and determine how to make improvements.

In preparation for reauthorization, we also will review the Older Americans Act. This Act, which funds seniors programs under both the Department of Health and Human Services and the Department of Labor, is the cornerstone of seniors' service programs. Significant changes were made in 2000 and it is the responsibility of this Committee to review those changes, assess their effectiveness and determine if other enhancements are necessary.

As you can see, the first session of the 109th Congress promises to be exciting and busy. I pledge to do my best as the new Chairman to lead this Committee fairly and in a bipartisan fashion. I am especially pleased to have the opportunity to work closely with Senator Herb Kohl of Wisconsin, the new Ranking Member. We have already discussed a number of these agenda items and I believe together we will be able to set politics aside and impact the policy debate that is taking shape this Congress.

As I mentioned, the topic of today's hearing focuses on the utilization of internet pharmacies to purchase prescription drugs both domestically and internationally. While domestic purchases often go unnoticed, the use of the internet to purchase drugs from foreign pharmacies has been in the headlines for the past few years.

This type of activity goes by the name importation or reimportation. While importation currently is illegal in the United States, over 2 million Americans utilize this means to obtain more affordable prescription drugs. I have heard from many Oregonians who tell me that their choice is simple, purchase drugs from Canada or another foreign source or go without their medications.

Last year, Senator Judd Gregg and I introduced a bill – the Safe IMPORT Act – which would have both regulated internet pharmacies and legalized importation. We are reintroducing that bill today because we continue to believe that importation should be legalized. However, this bill is just a marker. We are currently reaching out to our colleagues from both parties to fine-tune the policy and plan to introduce a new version by March.

Since 1990, the amount of money American consumers spend on prescription drugs has quadrupled to over \$162 billion. At the same time, the growth in importation has also exploded. According to IMS Health, U.S.-Canadian cross-boarder sales of drugs totaled \$695 million in 2003. Of this spending, almost two-thirds was done via the internet, and keep in mind this does not account for sales to other foreign countries.

I decided to call this hearing today to look into the relationship between internet pharmacies and importation. I know that many internet pharmacies are unsafe. I have read the reports and spoken with the FDA's experts. *However, I feel that we have become so focused on debating whether importation should be legalized we have lost track of the reality that importation is happening.*

So today the Aging Committee will have an opportunity to learn from people in the field about what is occurring with internet pharmacies. We will receive guidance on how best to improve the safety of these ventures and discuss whether it is practical to continue to discuss importation in terms of it happening in the future or necessary to recognize that it already exists – legally or illegally.

I would like to thank all of the witnesses for coming today and I look forward to hearing your testimony. I will now turn to my colleague and the Committee's Ranking Member, Senator Herb Kohl.