

Opening Statement of Senator Herb Kohl  
Special Committee on Aging Hearing  
September 21, 2006

I call this hearing to order and welcome our witnesses. As always, we thank Chairman Smith for the opportunity to put together this hearing.

Everywhere I go in Wisconsin, I see how prescription drug costs are a drain on seniors, families and businesses that are struggling to pay their health care bills. They want help now and we can respond by expanding access to generic drugs. Generics, which on average cost 63 percent less than their brand-name counterparts, are a big part of the solution to health care costs that are spiraling out of control.

Prescription drugs make up 11% of national health care spending but are one of the largest and fastest growing health care expenditures. The U.S. spent over \$250 billion dollars on prescription drugs in 2005, with generics accounting for 56% of the prescriptions but less than 13% of the costs. One study estimates that every 1% increase in generic use could save \$4 billion dollars. That means a modest 5% increase in generic use could save approximately \$20 billion dollars.

The private and public sectors are looking for relief, and our Committee has heard some remarkable success stories from some who have turned to generic drugs. General Motors testified that, in 2005, they spent \$1.9 billion dollars on prescription drugs, 40% of their total health care spending. Their program to use generics first saves GM nearly \$400 million dollars a year.

We know generic drugs have the potential to save seniors thousands of dollars, and curb health spending for the federal government, states, employers, and families. And every year, more blockbuster drugs are coming off patent, setting up the potential for billions of dollars in savings. The question is: what are we going to do about it?

First, we need to get the word out to Medicare beneficiaries. This month, millions will exceed the initial \$2,250 drug benefit and will fall in the "donut hole," where they must pay full price for their drugs. CMS should steer seniors toward generic drugs to help them survive the donut hole, and publicize the 13% of drug plans that actually cover generic drugs during this gap so seniors can seek out those plans during open season.

Second, we need to do a better job educating seniors. Many are still reluctant to switch to generic drugs because they think that expensive or brand name means better. Many don't know or don't believe that generic drugs are just as safe and effective as the brand name drug they see advertised on TV. And often, their own physicians compound the problem. With little information available to doctors comparing brand name drugs to generics, and patients demanding the newest drugs, doctors often prescribe medications that are more expensive but not necessarily more effective.

CMS and AHRQ are currently compiling some comparative information about different drugs that treat the same diseases, but we need more comprehensive studies. We need to get this information into the hands of doctors so they can prescribe better. And we should get it to Medicare drug plans too so they can consider it when designing their formularies.

It's clear that generic drugs can be a big part of reining in health care costs. The first battle in this fight is to break through the roadblocks that stop generics from reaching patients. In the Agriculture Appropriations bill, we are boosting funding for the FDA to reduce their backlog in approving generics. I'm also sponsoring legislation to end backroom deals and frivolous citizen petitions used by the pharmaceutical industry to prevent generics from coming to market faster. And it's time to create a system to approve generic biologics, which are increasingly used to treat disease but currently have no generic equivalents at all.

But once generics are on the market, it's just as important to win the next battle – making sure that every senior, every family, every business, and every government program knows the value of generics and uses them to bring costs down.

We look forward to hearing more recommendations from our witnesses and now turn to Chairman Smith for his opening statement.