

**Opening Statement of Senator Herb Kohl  
Special Committee on Aging Hearing  
A Prescription for Savings: Reducing Drug Costs to Medicare  
July 21, 2011**

Good afternoon, and thank you all for being here. Rising health care costs are threatening our economy.

While health reform was a start, it hasn't done enough to address costs. We need to do more and need to look at every option as we seek to provide quality care at a cost we can afford.

According to testimony provided to the Special Committee on Aging by the Organization for Economic Cooperation and Development (OECD) in 2009, the average price of pharmaceutical drugs in the U.S. was 30 percent higher than in the other 33 OECD countries, which include most of the world's developed countries. Another study found that the difference in price may actually be as high as 50 percent.

As I am sure we can all agree and understand, rising health care costs are hurting America's global competitiveness and are a drag on family wages as potential increases have been used to pay for the rising cost of health care and prescription drugs.

In 2010, the American people spent more than \$300 billion on prescription drugs, and a third of that was paid for by Medicare and Medicaid. Left unchecked, these costs threaten our country, economy and every American family. That is not acceptable.

Today's hearing will focus on one aspect of health costs, prescription drugs, and provide an opportunity to talk about possible solutions. The Committee will also release an investigative report that indicates that drug companies charge American consumers more because we lack the negotiating power used by other countries.

We already have prescription drug programs in place which cut costs through negotiation, including the Veterans Administration and SeniorCare in Wisconsin, and we should look to emulate those examples. The 91,000 beneficiaries enrolled in SeniorCare cost the federal government a third of what it would cost for them to be enrolled in Medicare Part D. By negotiating prices, SeniorCare saved my constituents \$80 million in 2010 alone. The VA demands a minimum discount of 24 percent on wholesale drug prices. If Medicare were able to save 24 percent, taxpayers could save more than \$350 billion over the next 10 years.

We also need to look at giving the government the ability to address sizable price differences between drugs that are similarly effective. The National Institute of Health (NIH) recently sponsored a lengthy comparative clinical trial between two highly effective drugs used to treat macular degeneration, a condition that often causes blindness among seniors. The trial found that both drugs work equally well in treating this condition, however one costs \$2,000 a dose while the other costs \$50. We'll hear

testimony about these two drugs, on which Medicare is spending more than \$1 billion a year.

Today, we will be releasing a number of additional cost-savings policy options suggested by experts to significantly reduce prescription drug costs. Some of these options would save billions, while others would be more modest. These options include ways to increase transparency, expand discount programs, and reduce the financial incentives for doctors to prescribe the most expensive or unnecessary drugs. This morning, the Judiciary Committee passed one of these bipartisan proposals, which would limit delays in getting generics to consumers.

Several of our witnesses will discuss how these and other policies would result in lower costs without sacrificing access, choice or quality of care. I urge my colleagues to be open to considering all of these ideas, and I hope that together we can put additional solutions on the table.

Thank you all, once again, for your participation today. I would now like to turn to our Ranking Member, Senator Bob Corker.