



601 E Street, NW | Washington, DC 20049
202-434-2277 | 1-888-OUR-AARP | 1-888-687-2277 | TTY: 1-877-434-7598
www.aarp.org | twitter: @aarp | facebook.com/aarp | youtube.com/aarp

December 12, 2017

The Honorable Greg Walden
Chairman
Committee on Energy & Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Frank Pallone
Ranking Member
Committee on Energy & Commerce
2322A Rayburn House Office Building
Washington, DC 20515

Dear Chairman Walden and Ranking Member Pallone:

AARP commends the House Energy and Commerce Committee for holding this hearing entitled “Examining the Drug Supply Chain”. Addressing the rising cost of prescription drugs is an ongoing priority for AARP members and all older Americans, regardless of party. Older Americans use prescription drugs more than any other segment of the U.S. population, typically on a chronic basis. In fact, on average, older Americans take 4.5 prescription drugs every month.¹

As launch prices of prescription drugs continue to skyrocket² and manufacturers are consistently increasing the prices of existing products³, older Americans are struggling to afford the drugs they need. According to a recent AARP Rx Price Watch report, the retail price of specialty drugs widely used by older Americans increased by an average of 9.6 percent in 2015 - the largest increase since at least 2006. In 2015, the average annual cost for one specialty drug used on a chronic basis was \$52,486, which is slightly less than the median U.S. household income, more than twice the median income for Medicare beneficiaries, and more than three times the average Social Security retirement benefit.⁴ Moreover, a 2016 AARP Price Watch Report found that 97 percent of brand-name drugs widely used by older Americans experienced a price increase above inflation in 2015.⁵ These trends helped push U.S. prescription drug

¹ Medicare Part D enrollees take an average of 54 prescriptions per year, or 4.5 different prescription drugs per month. Medicare Payment Advisory Commission (MedPAC), *June 2016 Report to the Congress: Medicare and the Health Care Delivery System* (Washington, DC, MedPAC, June 2016).

² E. Silverman, “Cancer Drug Prices are High at Launch and Stay That Way,” STAT News, May 2, 2016; D.M. Hartung, D.N. Bourdette, S.M. Ahmed, and R.H. Whitham, “The Cost of Multiple Sclerosis Drugs in the US and the Pharmaceutical Industry,” *Neurology* Vol 84(21): 2185-2192.

³ <http://www.aarp.org/rxpricewatch>

⁴ S.W. Schondelmeyer and L. Purvis, “Rx Price Watch Report: Trends in Retail Prices of Specialty Prescription Drugs Widely Used by Medicare Beneficiaries, 2006 to 2015,” AARP Public Policy Institute, September 2017.

⁵ S.W. Schondelmeyer and L. Purvis, “Rx Price Watch Report: Trends in Retail Prices of Brand Name Prescription Drugs Widely Used by Medicare Beneficiaries, 2006 to 2015,” AARP Public Policy Institute, December 2016.

spending to a record high of \$425 billion in 2015, with expectations that such spending will surpass \$600 billion by 2020.⁶

Rising prices not only affect seniors' pocketbooks, but are large drivers of the growing cost of Medicare and other health programs. In 2015, Medicare Part D spent \$137.4 billion on prescription drugs, an increase of 13 percent compared to 2014; and Medicare Part B spent \$24.6 billion on prescription drugs, an increase of 14 percent compared to 2014⁷. Affordability is a growing concern for many older Americans. A 2016 survey of the 50+ population found that over 80 percent believe that prescription drug prices are too high, and nearly 90 percent think it is important for politicians to support efforts to reduce prescription drug prices.⁸

AARP stands ready to work with this committee to reduce the price of drugs, including improving our drug delivery system. However, we strongly believe that we need to have an honest discussion of how drugs are priced when they first come to the market, and how those prices increase over time. If prescription drugs continue to come to market with exorbitantly high prices, and those prices continue to increase beyond the rate of inflation each year, patients will struggle to afford the drugs they need no matter how efficient the drug delivery system is.

AARP supports a number of critical reforms that will lower prescription drug costs and increase competition. Those reforms include:

- **Price Negotiation:** Unlike private insurance plans, Medicare cannot negotiate prescription drug prices with pharmaceutical companies. AARP supports enabling the HHS Secretary to use the bargaining power of Medicare's 55 million beneficiaries to negotiate for lower prescription drug prices.
- **Prohibit Anticompetitive Pay-for-Delay Agreements:** AARP supports prohibiting patent settlement agreements between brand name and generic drug manufacturers that delay the availability of less-expensive generic drugs, costing the US billions of dollars.
- **Close the REMS Loophole:** FDA-required Risk Evaluation and Mitigation Strategies (REMS), structured plans for handling drugs associated with known or potential risks that may outweigh the drugs' benefits, are increasingly being abused to block generic or biosimilar manufacturers' access to samples of reference products. Since these samples are needed to develop generic and biosimilar products, such behavior effectively halts generic and biosimilar product development. Left unchecked, these unnecessary delays could cost consumers, government programs, taxpayers, and the health care system billions of dollars annually. AARP supports legislation that would close this loophole.

⁶ IMS Institute for Healthcare Informatics, Medicines Use and Spending in the U.S.: A Review of 2015 and Outlook to 2020, April 2016.

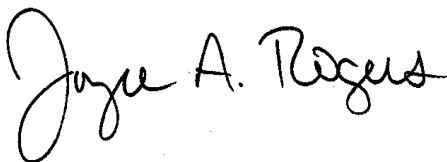
⁷ <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-11-14.html>

⁸ L. Mehegan and L. Skufca, "2015 Survey on Prescription Drugs," AARP Research, April 2016.

- **Importation:** AARP believes that we should reduce barriers to global price competition by allowing for the safe importation of lower priced but equally effective drugs. There is no reason for Americans to continue paying the highest prescription drug prices in the world.
- **Drug Price Transparency:** AARP supports legislation to require greater price transparency when drug manufacturers implement unreasonably high price increases.
- **Part D Rebates:** By reducing spending on prescription drugs under Part D, both taxpayers and Part D enrollees will benefit. AARP supports requiring drug manufacturers to provide Medicaid drug rebates for prescription drug dispensed to low-income Part D enrollees. This change alone could save \$145 billion over ten years, according to the Congressional Budget Office (CBO).⁹
- **Biologic Drugs:** AARP supports reducing the market exclusivity period for brand name biologics from twelve years to seven years. This change would help get less expensive generic versions of biologics on the market sooner, yielding billions of dollars in savings over the next ten years.¹⁰
- **FDA drug approval process:** AARP believes extra market exclusivity and expedited approval should only be granted in extremely limited circumstances and only for innovations that meet an unmet medical need or substantially improve upon existing therapies. Any efforts to expedite FDA approval processes should ensure that patient safety remains paramount.

We appreciate the Committee's attention to the important issue of high prescription drug prices and we hope to work together to enact reforms that make drugs more affordable for older Americans and taxpayers.

Sincerely,



Joyce A. Rogers
Senior Vice President, Government Affairs

⁹ CBO, *Options for Reducing the Deficit: 2017 to 2026*, December 2016.

¹⁰ CBO, *Proposals for Health Care Programs-CBO's Estimate of the President's Fiscal Year 2017 Budget*, March 2016.