STATEMENT FOR THE RECORD

SUBMITTED TO THE

Committee on Finance
United States Senate

on

“Prescription Drug Price Inflation: An Urgent Need to Lower Drug Prices in Medicare”

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AARP, on behalf of our 38 million members and all older Americans nationwide, appreciates the opportunity to submit testimony on this important hearing of the Senate Finance Committee, “Prescription Drug Price Inflation: An Urgent Need to Lower Drug Prices in Medicare.”

High prescription drug prices hit older Americans particularly hard. On average, Medicare Part D enrollees take between four and five prescriptions per month, often for chronic conditions that will require treatment for the rest of their lives. At the same time, Medicare beneficiaries have a median annual income of just under $30,000. One-quarter have less than $8,500 in savings. This population simply does not have the resources to absorb rapidly escalating prescription drug prices and many are facing the very real possibility of having to choose between their medication and other basic needs such as food or housing.

In the case of one of our members – Larry Zarzecki from Maryland – high prescription drug prices have forced him to use his retirement savings and sell his home to afford his medications. Larry suffers from Parkinson’s disease and had to retire from law enforcement 10 years ago. He first shared his story in an AARP ad three years ago. In the absence of meaningful Congressional action, his situation has only deteriorated since that time without any relief from the high cost of his treatments. Larry states, “I shouldn’t have to decide between my home or my medicine because Congress refuses to act. I’m tired of waiting for Congress.”

Unfortunately, Larry isn’t alone. Every day we hear from older Americans who are forced to choose between paying for the medicines they need and paying for other essentials like food and heat. We know the number one reason someone does not fill a prescription is because of the cost.

For years, prescription drug price increases have dwarfed even the highest rates of general inflation. If consumer prices had risen as fast as drug prices over the last 15 years, gas would now cost $12.20 a gallon, and milk would be $13 a gallon. Just in January, the drug industry raised prices on over 800 prescription medications—just as they have increased prices for decades—including three-quarters of the top 100 spend drugs in Medicare Part D. It is wrong, particularly in the midst of a pandemic and financial crisis, that drug companies remain free to raise the prices of their products unhindered, including those for chronic conditions that people over age 50 depend on. Moreover, it is not fair or right to ask patients and taxpayers to continue spending billions of dollars on exorbitantly priced prescription drugs in a broken U.S. market.

As we look at prescription drug prices, it is important to keep in mind that high launch prices are just the beginning; drug prices typically continue to grow even after the drugs enter the market. AARP Public Policy Institute’s latest Rx Price Watch report found that the retail prices for 180 widely used specialty prescription drugs increased at more than three-and-a-half times the rate of inflation in 2020.1 And to be clear—this isn’t a one-time problem. The average annual increase in retail prices for the products that we study has exceeded the corresponding rate of inflation every year since at least 2006.

Our report also found the average annual cost of therapy for a single specialty prescription drug is now over $84,000 per year. This average annual cost was almost $20,000 higher than the median US household income ($65,712); nearly three times the median income for Medicare

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1 http://www.aarp.org/rxpricewatch
beneficiaries ($29,650); and more than four-and-a-half times higher than the average Social Security retirement benefit ($18,530). In other words, we are now facing prescription drug prices that exceed what most people make in a year. Notably, our analysis also found that the average annual cost for a single specialty prescription drug would have been just under $40,000, or more than $45,000 lower, if retail price changes had been limited to the general inflation rate between 2006 and 2020.

AARP is also mindful that high and growing prescription drug prices are affecting all Americans in some way. Their cost is passed along to everyone with health coverage through increased health care premiums, deductibles, and other forms of cost-sharing. We have also seen massive increases in prescription drug spending under public programs like Medicare and Medicaid. These escalating costs will eventually affect all of us in the form of higher health care costs, higher taxes, cuts to Medicare or Medicaid, or all of the above.

In other words: every single American taxpayer is paying for high prescription drug prices, regardless of whether you are taking medicine yourself.

Fortunately, there is action the Senate can take right now. There is long-standing and overwhelming bipartisan support among voters for allowing Medicare to negotiate with drug companies for lower prices. The policies before the Senate – including Medicare negotiation, capping out of pocket costs under Medicare Part D, and penalizing drug companies that increase their prices faster than inflation – will provide long-overdue relief to older Americans across the country. These policies, taken together, will help reduce drug prices and out-of-pocket costs. This is important because real relief for seniors and all Americans must include policies that get to the root of the problem: the high prices set by drug companies.

America’s seniors aren’t the only ones who stand to benefit. Lowering prescription drug prices will also save the Medicare program and taxpayers hundreds of billions of dollars. Every year, Medicare spends more than $135 billion on prescription drugs. Yet it is prohibited by law from using its buying power to negotiate with drug companies to get lower prices.

Congress must not fail to achieve this historic opportunity to finally lower prescription drug prices and bring much-needed relief to seniors across the country. The nonpartisan Congressional Budget Office (CBO) estimates that the latest drug pricing provisions passed by the House would save nearly $300 billion over 10 years – this includes provisions to penalize excessive price hikes and to allow Medicare to negotiate lower drug prices. The high cost of American drugs is not only unfair to seniors and families across the country, it is flagrantly fiscally irresponsible for Congress to allow the status quo to continue.

Industry lobbyists allege that lower drug prices will come at the cost of innovation. Let us be clear—AARP has no interest in solutions that will hamper true innovation. However, research has consistently demonstrated that there is no correlation between drug prices and innovation.

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2 https://www.aarp.org/research/topics/health/info-2021/drug-prices-older-americans-concerns.html
3 https://www.cbo.gov/publication/57626
and that many new drugs could be described as innovation in name only.\textsuperscript{5} In addition, taxpayers fund much of the initial research that can lead to new drugs, and they should not be priced out of the benefits of those drugs when they come to market. Most of the important new drugs from the past 60 years were developed with the aid of public sector research.\textsuperscript{6} For example, NIH-funded research played a role in all 210 new drugs approved between 2010 and 2016.\textsuperscript{7} More recently, public funding helped in the development of vaccines for COVID-19, which the government was able to purchase and make affordable to the public. Finally, it is also notable that the public does not accept the drug industry’s long-standing threat of reduced innovation.\textsuperscript{8} An AARP survey found that 83 percent of Democrats, 78 percent of Republicans and 81 percent of independents said that drug prices could be lowered without harming innovation.

Current prescription drug price trends are not sustainable and action is needed now. It is unfair that Americans continue to pay the highest drug prices in the world – three times what other nations pay for the same prescription drugs. The drug industry has been price gouging seniors for too long. Enacting the policies before this committee, including allowing Medicare to negotiate, will finally deliver on the promise of lower drug prices that will help ensure that all patients have affordable access to the drugs that they need to get and stay healthy.

\textsuperscript{7} https://www.pnas.org/content/115/10/2329
\textsuperscript{8} https://www.aarp.org/politics-society/advocacy/info-2021/survey-voters-lower-drug-prices.html