



Committee On Finance

Max Baucus, Ranking Member

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Statement of Senator Max Baucus Hearing on International Trade and Pharmaceuticals

Thank you, Senators Kyl and Thomas, for holding this joint subcommittee hearing. Finance subcommittees don't hold hearings very often. That ought to change. In particular, I welcome more hearings on drug pricing policy. This is an extremely important issue. And it will become even more important once the Medicare drug benefit is implemented.

Medicare beneficiaries and other consumers tell me drug prices are rising twice the rate of inflation. And they tell me the government should not stand in the way when Americans want to import cheaper drugs from Canada or Europe.

Employers, health plans, and insurers tell me the cost of prescription drugs is one of the fastest growing components of health care costs in the United States. And they tell me rising health costs are affecting the ability of U.S. companies to compete internationally. We need to address these issues or risk the consequences to the long-term health and competitiveness of the U.S. economy. And U.S. pharmaceutical manufacturers tell me other countries have imposed restrictive pricing measures on their products. They tell me these price controls are unfair, anticompetitive, and a root cause of higher prices in the U.S.

So clearly we have work to do. We need to learn more about the mechanisms other countries use to determine drug prices. We also need to learn more about how prices are determined by payers here in the U.S. And, frankly, we should also devote more resources and attention to comparative drug effectiveness studies. The U.S. is clearly behind on that front.

No single answer exists to high and rising drug prices. Some claim that other countries use pricing mechanisms that are too restrictive, that lack transparency, and that artificially hold down prices through government strong-arming tactics. But leaving drug pricing entirely to drug manufacturers may not be the best idea either. The market has not contained prices that private plans and employers pay for drugs here in the U.S.

And it is my understanding that some countries actually have more – not less – transparency in the way that coverage and pricing decisions are made than we do in the U.S. Transparency means there is an open, public process for determining which drugs are covered, at what price, and why. In the end, we must find a balance between patient access and fair pricing mechanisms. The U.S. government may have something to learn from other nations in this regard.

A balanced pricing policy must take into account the ability of consumers to get the drugs they need. We must consider U.S. trade policy and the interests of U.S. companies abroad. And

with regard to Medicare and other public programs, we must also consider the interests of the taxpayers. So this hearing is a good opportunity to explore these issues further. What are other countries doing? What can we learn from them? What can they learn from us?

And just a few words about reimportation: I am encouraged by new efforts to address head-on the safety concerns about imported pharmaceutical products. Safety has been the main roadblock to moving forward on reimportation. Chairman Grassley's bill and the bipartisan bill introduced last week provide thoughtful approaches to safety concerns that seem like reasonable policy to me. I may have differences with specific provisions in the bills, but they are a good starting point to moving forward.

I would add, however, that reimportation strikes me as a short-term fix and not a long-term solution to the higher drug prices that Americans pay. I am concerned that reimportation may encourage further movement of jobs outside of the United States. If U.S. drug companies begin selling more drugs from Canada, they might start producing more drugs in Canada. And U.S jobs may move to Canada as a result. And I am concerned that American drug manufacturers may react to reimportation in ways that harm other countries – and ultimately, American consumers.

If a large share of the American drug-buying market starts buying lower-priced drugs from Canada, American manufacturers may cut back the amount of drugs that they supply to Canada. Canadians may not get the drugs that they need. And ultimately, Canada may react by restricting the ability of Americans to reimport drugs from Canada. We need to start thinking about the long-term implications of reimportation and potential solutions to address those problems before they even arise. Thank you and I look forward to hearing from our witnesses.