

ONE HUNDRED TENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
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**Opening Statement**  
**Rep. Henry A. Waxman, Chairman**  
**Committee on Oversight and Government Reform**  
**Hearing on**  
**Allegations of Waste, Fraud, and Abuse**  
**in Pharmaceutical Pricing: Financial Impacts on**  
**Federal Health Programs and the Federal Taxpayer**

**February 9, 2007**

Today we complete our first set of hearings into the impact of waste, fraud, and abuse on the taxpayer. In this hearing, we will investigate allegations that some pharmaceutical companies are profiteering from public health programs at the expense of the American taxpayer and the most vulnerable in our society — the poor and the elderly who rely on these programs for their health care. We will hear testimony about patterns of waste, fraud, and abuse in pharmaceutical pricing. The testimony will help us determine our priorities for future oversight in this area.

I care deeply about this issue. Throughout my career in Congress, I've worked hard to expand and improve health care coverage for seniors, for persons with disabilities, and for low-income families. And I've worked just as hard to make sure that taxpayers get their money's worth out of the Medicare, Medicaid, and public health programs.

That's why I'm so concerned about these allegations involving the pharmaceutical industry. If even half of them are true, billions of federal dollars that should be buying needed care are instead adding to drug company profits. That waste would be bad enough any time, but in this era of tight budgets it is particularly tragic.

We will hear reports that the federal Medicaid program, which provides health care to almost 50 million low-income beneficiaries, has been repeatedly overcharged for essential medications. The Medicaid program is a huge purchaser, buying over \$30 billion worth of drugs in 2005. Congress in 1990 recognized that such a large purchaser should get low prices, and passed legislation requiring that drug manufacturers provide the Medicaid program with the same discounts they provide private purchasers like large HMOs and hospital chains.

But according to whistleblowers who have filed dozens of cases over the last decade, drug manufacturers have deliberately crafted business plans to avoid giving Medicaid the proper discounts. Today we will hear testimony from the Texas Attorney General's office and the U.S. Department of Justice detailing some of the tactics used by pharmaceutical companies to avoid providing appropriate discounts to Medicaid

We'll also hear about waste, fraud, and abuse in the Public Health Service's 340B program. Under this program, federally funded health clinics are supposed to have access to brand-name and generic drugs at very low prices. These programs serve vulnerable populations, and they do it while facing severe budget shortages. But a series of reports and audits by the GAO and by the HHS Office of Inspector General have found that these clinics are being overcharged for the drugs they need —costing them tens of millions of dollars annually. I look forward to hearing from the HHS Inspector General, and GAO about how to make this critical public health program work better.

Finally, we'll hear about the Medicare Part D program. This new program has been controversial from the start — passed in the dark of night, amid allegations that votes were being bought and sold on the House floor and that the Bush Administration hid the true costs of the new program.

The proponents of the new Part D program argued that the private pharmacy benefit managers and insurers that provide the benefits would be able to obtain low prices from drug manufacturers.

But the evidence seems to point in the opposite direction. Analyses by my staff and others suggest that drug prices under the plans are higher than prices in other federal government programs, higher than prices in Canada, and even higher than prices available at Costco and Drugstore.com. Beneficiaries are justifiably puzzled as they see out-of-pocket costs increasing and drug plan premiums skyrocketing at three to four times the inflation rate. Meanwhile, drug companies are reporting massive increases in their profits.

Dr. Schondelmeyer and Dr. Anderson will provide us with insight into what is happening with Part D drug prices.

This Committee will have an aggressive oversight agenda when it comes to pharmaceutical manufactures and other companies that engage in wasteful, fraudulent, or abusive tactics that affect federal health care programs.

We begin our oversight with this hearing, and with a set of letters that I am sending today to the insurers and pharmacy benefit managers that are running the Medicare Part D program. I am asking that these companies provide us with information on the discounts that they have negotiated with drug manufacturers, and the way in which these discounts are being passed on to seniors who have signed up for Medicare Part D. This information will be critical as our

Committee assesses whether high drug costs are increasing beneficiary costs and wasting taxpayer dollars in the Medicare drug program.

The testimony we hear today will help us establish additional investigative priorities for the next two years. I am looking forward to hearing from our witnesses.