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Statement of Rep. Elijah E. Cummings
Ranking Member, House Committee on Oversight and Government Reform

Hearing on "Why Are Some Generic Drugs Skyrocketing in Price?"

November 20, 2014

Chairman Sanders, Ranking Member Burr, and Members of the Subcommittee, thank you very much for the opportunity to testify on this critically important issue. I would like to start by highlighting two fundamental principles I believe we all share.

First, generic drugs are critically important to the American people. Thirty years ago, Congress passed the Hatch-Waxman Act to expand the market for low-cost generic drugs. They now account for 86% of all drugs dispensed in the United States. They save the American people billions of dollars every year, and they reduce our nation's healthcare costs as well. The majority of manufacturers are upstanding companies that should be commended for delivering life-saving drugs to patients who need them.

Second, I believe just as strongly that when drug companies increase their prices by hundreds or even thousands of percent—virtually overnight—we as Members of Congress have an obligation to our constituents to find out why, and to determine what we can do to help the people we serve.

I am sitting before you today not because I have anything against generic drug companies—quite the contrary. But people have been coming out in droves to warn us about the staggering price increases they are now facing for drugs they rely on every single day.

We have heard from patients, doctors, pharmacists, hospitals, providers, and group purchasing organizations—all raising the alarm. And I am certain that when you travel back home for Thanksgiving next week, you will hear the same thing from your constituents.

Let me give you an example. The retail price for a certain dosage of albuterol sulfate tablets increased by more than 3,000% from November 2012 to June 2014. I personally use the inhaler version of this drug myself, so I know how important it is for people with asthma and other lung conditions.

Let me give you another example. Doctors use a drug called Digoxin to treat heart failure, irregular heartbeats, and similar conditions. In 2012, this drug cost 11 cents per tablet, but in June of this year, it had risen to \$1.10 per tablet.

Why did this happen? This drug is manufactured by a company called Lannett. In 2012, there were three manufacturers, but one stopped producing. After this occurred, Lannett increased its price by more than 1,000%.

I know Chairman Sanders invited the company's CEO, Arthur Bedrosian, but he declined to testify because he is speaking to potential investors in London.

What is he telling them? According to a call he held with investors on fourth quarter earnings for 2014, his company just recorded its highest net sales, its highest gross margin, and its highest net income in their entire 72-year history. With respect to cardiovascular drugs in particular, the company boasted that their earnings rose from \$4.5 million to \$16.9 million in a matter of months. The CEO attributed these dramatic profits to their decision to raise prices on 75% of their products. He also said this:

“We are an opportunistic company. We see opportunities to raise prices. Competitors drop out of products. There are shortages in the marketplace that sometimes drive it.”

This sounds like Gordon Gecko—“greed is good”—but instead of the victims being other corporate entities, the victims here are real patients suffering from heart disease.

Let me close with one final example, if I may. In 2005, Jeff Aronin was the CEO of Ovation Pharmaceuticals. His company bought a drug called Indocin, which doctors use to treat life-threatening heart conditions in babies. This drug used to sell for \$77, but no other companies manufactured it, so they increased the price to \$1,500.

Let me repeat that: they hiked up the price from \$77 to \$1,500 for medicine that doctors use to treat heart conditions—in premature babies.

Today, Mr. Aronin is the CEO of a new company called Marathon Pharmaceuticals, and they apparently use the same business model. They purchased a drug called Isuprel, which is also used for heart conditions. A box of 25 vials used to cost \$916 in 2012. But again, no other companies manufacture this drug, so they raised the price to \$4,489.

Corporate executives claim they are reinvesting 100% of these massive profits into production improvements and new medicines, but they refused to provide any documents to support this dubious claim, and they declined to send anyone here to testify today.

Finally, let me reiterate to every member of this panel that your constituents and mine are directly affected by these abuses. No doubt, there are certainly legitimate reasons to increase the price of drugs on occasion. But I believe some companies are exploiting monopolies and disruptions in supply to implement massive price increases in order to reap unconscionable profits.

Chairman Sanders, thank you again for inviting me here today, for agreeing to work with us on this investigation, and for your tremendous leadership on this issue.

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