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Statement of Rep. Henry A. Waxman, Ranking Minority Member Committee on Government Reform Minority Briefing On Implementation of the New Medicare Drug Benefit January 20, 2006

I would like to welcome everyone to this special briefing on the implementation of Medicare Part D. I've called this briefing to explore the multitude of problems that seniors and people with disabilities are confronting under the new Medicare drug program.

Since the new Medicare drug benefit went into effect on January 1, our healthcare system has undergone a huge disruption. Countless seniors are being denied essential medications. Medicaid drug coverage, which millions of seniors have relied upon for years, is suddenly no longer available. Pharmaceutical assistance programs that used to provide drugs to low-income seniors have been terminated. Pharmacists have given out thousands of dollars in medications with no guarantee of reimbursement.

It did not have to be this way.

Medicare was born 40 years ago. In many ways, the start-up challenges in 1966 were more daunting than we face today. As the *New Republic* reports, the Johnson Administration had to launch the entire Medicare health insurance system from scratch, not just add a new benefit to an existing program. And it had to do all this without the benefit of vast computerized databases and instant electronic communications.

But 40 years ago, seniors experienced none of the chaos that they are experiencing today. I have a chart showing the headline from July 2, 1966, in the Washington Post, the day after the Medicare program began. It reads: "Medicare Takes Over Easily; Transition Is Smooth." What went wrong this time that went right 40 years ago?

A large part of the problem is the legislation that Congress passed in 2003. I've been in Congress for 30 years, and I have never seen a more dishonest legislative process than the one used to pass the Medicare prescription drug bill

As the legislation was being debated, the chief actuary of the Department of Health and Services was threatened with the loss of his job if he provided accurate cost estimates to Democratic members of Congress. When the bill was brought to the House floor, Democrats were allowed only one amendment. After the vote was called in the dead of night, the

Republican leadership held the vote open for three hours while they twisted arms. They even offered one of their own members a bribe to vote for the legislation.

And when the bill passed, we learned that the Administration's point man on the legislation, Tom Scully, and one of the lead authors in Congress, Billy Tauzin, were both negotiating high-paying jobs representing the pharmaceutical industry.

The beneficiaries of the bill were supposed to be the millions of seniors who lack drug coverage. But we are learning now that the true beneficiaries are the drug companies and health insurers that gave millions of dollars to Republican members of Congress and were the single largest client of the scandal-ridden Alexander Strategy Group.

The Medicare bill is increasingly looking like a lose-lose-lose proposition: The new program is incredibly complicated; many of our most vulnerable seniors are falling through the cracks; and it is costing seniors and the taxpayers far too much.

An astounding study came out earlier this week. It showed that if the Medicare drug benefit gave U.S. seniors access to the lower drug prices offered in other countries, seniors could save more money than they can under the new Medicare drug benefit. And the cost to the taxpayer of this plan would not be \$700 billion. It would be zero.

One of the seniors who will be testifying today, Pat Virden, made a similar discovery. She will tell us that the drug prices available under the Medicare drug plans are so high that she can save as much money buying her drugs from Canada, without any government subsidy, as she can by joining Medicare Part D, with its multi-billion dollar cost to taxpayers.

These findings are extraordinarily telling. Under the new Medicare drug program, the taxpayers are paying billions of dollars to preserve the right of drug companies to overcharge seniors.

Today we will begin the process of diagnosing the extent and cause of the mess we are in. We will hear from individual Medicare beneficiaries about the tremendous hardships they are facing gaining access to essential medications. We will hear from pharmacists and a doctor about the seemingly endless bureaucratic morass they must wade through to get even simple questions answered.

And we will hear from state and local governments about the dire plight of the "dual eligibles," who have been switched out of a working program, the Medicaid drug benefit, into the perilous new Medicare drug benefit.

We need to listen closely to the experiences and frustrations they will relate. Understanding what is going wrong is the first step on the road to reform.

I want to thank all the individuals who will be appearing before us today and to let you know that I am looking forward to your statements.