

May 10, 2018

This morning the Senate Labor HHS Appropriations Subcommittee held a hearing to examine the FY19 President's budget request for the Department of Health and Human Services. HHS Secretary Alex Azar was the only witness. Opening statements and a webcast of the hearing can be found [here](#).

In his opening statement Chairman Roy Blunt (R-MO) noted that the Secretary was not in place when the FY19 budget was released and also that the budget was released before the FY18 omnibus passed. He said that OMB is questioning how some of the money included in the omnibus should be spent, but that the committee will be insisting on spending the money how they think it should be spend. He affirmed the committee's commitment to addressing the opioid epidemic but said they need to make sure they are not increasing the money faster than it can be spent. He noted that the crisis needs to be dealt with quickly, but some of the money is flexible money for the states and we need to look to see what is working – we have a big country with lots of issues to be addressed. He also said that mental health should be treated like other problems – it is an integral part of overall health and to solving the opioid epidemic.

Ranking Member Patty Murray (D-WA) expressed concerns with the proposed FY19 budget but also wanted to know how HHS intends to implement increases provided in the FY18 omnibus, especially for opioids.

Secretary Azar noted four particular priorities that HHS supports: fighting the opioid crisis; increasing affordability of healthcare; tackling prescription drug costs; and value-based transformation throughout the healthcare system.

Some of the major topics discussed at the hearing include:

### **Drug Pricing**

Senator Blunt started the questioning by soliciting more details on what is included in the President's FY19 budget request and what the administration plans to roll out on Friday with regards to drug pricing. Several other senators also wanted to get more specifics about what would be announced on Friday.

While he noted that he cannot preempt what the President is going to say, he previewed President Trump's upcoming speech saying it would balance supporting the innovation of new therapies with ensuring patients have access to them. He also said that the president will be rolling out a comprehensive plan that addresses all aspects of drug pricing, including the role of the pharmacy benefit managers, drug companies, and others in the system.

He noted that the speech would focus on four areas, including high list prices that few people pay but that are driven up by complicated rebates from drug makers; ensuring that federal programs can negotiate the best drug prices; fostering competition from lower-cost generic drugs and ending regulatory loopholes or "gaming" of the patent system; and addressing out-of-pocket expenses that have increased as more people have higher-deductible insurance.

In response to a question about DIR fees from Senator Lankford (R-OK), Azar said he would ask the HHS inspector general to examine the fees pharmacy benefit managers charge small and independent pharmacies.

Azar also said Trump would take on drug companies themselves but was clear the president would not endorse price controls that help keep drug costs lower in other countries. Azar spoke harshly about “socialist” systems, which he said get lower prices at the expense of access to certain medicines.

While also bringing up the need for transparency in the PBM world, Senator Moran (R-KS) also highlighted the importance of the 340B Drug Pricing Program.

### **Opioids**

Senator Alexander (R-TN) spoke about the recent opioid bill passed by the HELP Committee, which he said he hopes will go to the floor this summer. He asked Secretary Azar if the administration supports the HELP Committee bills. Azar said that the administration does not have a formal position on what has been considered so far.

Senator Manchin (D-WV) spoke about Jesse’s law and the need to ensure that medical records are inclusive of all medical information. Azar agreed that this was a high priority and a shared goal.

Senator Lankford (R-OK) noted that promoting marijuana legalization does not help long term. He said there needs to be a consistent message – you can’t say opioids are bad, but marijuana is good.

Senators Capito (R-WV), Shaheen (D-NH) and Manchin (D-WV) all spoke about targeting the 21<sup>st</sup> Century Cures funding to areas of highest need. Capito wanted assurances that the next money to go out will follow the target adjustment included in the recent omnibus. Senator Shaheen noted the need to ensure that small states are able to get help because of their overdose death rate and not just based on population.

Secretary Azar said that he appreciates the target adjustment in the omnibus and also the flexibility given for the remainder of the money allowing a focus on areas of highest burden/most need. He said they intend to use the new flexibility for the remainder of the money. He expects the latest round of funding in September, but he is not sure about the timeline for the remaining money.

Senator Capito also expressed her concern that recovery centers that have sprouted up without appropriate oversight. Secretary Azar said they will keep looking at best practices/approaches and make sure money is spent in ways that make the most sense and on proven practices.

### **Short Term Health Plans**

Several Democrats, including Murray, Baldwin and Merkley, pressed Azar on the Trump administration’s pending proposal to let insurance companies sell limited-duration health plans that would last for 12 months instead of the three months currently allowed.

Senator Murray said these plans undermine health protections set in law and deny care to those with preexisting conditions. She expressed fear that families that enroll in these plans do not know what the coverage is and won’t be protected when they need it. Senator Baldwin said that these plans keep undermining the ACA.

Secretary Azar defended the short-term plans as a necessity to help people who are between jobs or can’t take advantage of the subsidized plans available under the 2010 health care law, but emphasized

they are not an overarching solution to high insurance premiums. He said the administration is trying to make more options available and make insurance affordable to all.

Secretary Azar also defended Republicans' decision to repeal the individual mandate. He was asked about former Secretary Tom Price's comments that repealing the individual mandate might undermine the insurance risk pool and drive up prices. He said he did not think repealing the mandate would have a significant impact on risk pool or affect premiums.

### **Other issues**

Senators Murray and Shaheen criticized the Administration's decision to open up funding under the Title X family planning program to more health providers that emphasize abstinence. Senator Murray noted that she will be watching to make sure providers that deliver a significant share of these services to women are not removed from the grant list. Secretary Azar said that the administration wants to extend money to a broad range of family planning resources.

Senator Alexander (R-TN) asked about the Medicare Area Wage Index (AWI) and ways to adjust it to make it fairer, especially in rural areas. Secretary Azar said he would like to work together to come up with administrative changes to adjust the index and welcomes the chance to work together on appropriate reforms. During his questioning, Senator Murphy (D-CT) noted that states like Connecticut are reimbursed more due to the fact that the cost of living is higher, which in his opinion is fair.

Senator Durbin (D-IL) noted that a major part of his career has been spent fighting big tobacco. He said that the opioid crisis strikes everywhere and is the worst drug epidemic facing our country, noting the move into synthetic opioids and fentanyl. However, he pointed out that another issue, e-cigarettes and vaping, is a problem that we need to commit to stopping now. He asked Secretary Azar what the administration is planning to do about this problem. Secretary Azar mentioned that the FDA last week went after products being marketed to children. He said it is important to have alternative nicotine devices available to get away from combustible tobacco, but noted the need to be vigorous in going after bad actors.

Senator Capito asked about Alzheimer's Disease. Secretary Azar said they are deeply committed and are currently supporting over 100 clinical trials. He noted the need to keep looking at Medicare and Medicaid, as well as support caregivers in non-traditional ways. He said he is open to ideas and best approaches.

Senator John Kennedy (R-LA) focused his time on work requirements for Medicaid. He thinks that an aggressive program needs to be put together to help people become employed, but that is not optional for states.

Senator Schatz (D-HI) noted that part of his telehealth bill – Connect for Health Act – was enacted as part of the last CR, but noted the need to keep working on giving the secretary waiver authority. He wanted to know how Azar would use this authority and how it would expand access. Secretary Azar noted the importance of ensuring program integrity, expanding networks and the reach of providers and lowering the cost of care.

Senator Jerry Moran (R-KS) did not ask any questions but did highlight the fact that the FY19 budget request included a reduction in the NIH budget, and noted his hope that the committee can continue efforts to fund NIH at increasing rates. He also advocated for continued funding for global health

funding, saying we need to have funding for infrastructure so we don't have problems when things like Ebola strike.

Senator Hyde-Smith (R-MS) asked about healthcare in rural America. Secretary Azar noted the funding in the budget for community health centers, as well the fact that some funding for opioid treatment focuses on rural areas.

Senator Merkley (D-OR) asked about physician shortages and cuts to workforce development programs. Secretary Azar mentioned a proposal to combine CGME, and Medicare and Medicaid GME programs to allow flexibility to target specialties where there is a need.

Senator Rubio (R-FL) spoke about a new initiative in China to dominate certain industries, including biopharma. He expressed concern that universities are particularly vulnerable to having intellectual property and research stolen and wanted to know if HHS is thinking about how to protect research and intellectual property against this threat. Secretary Azar responded that he was happy to work offline on the issue.

Senator Rubio also asked about preparedness and wanted to know what HHS is doing to incorporate lessons learned from the 2017 hurricane season. Secretary Azar said this issue is on the radar and that they just had a session with DOD and other agencies on lessons learned.

Senator Blunt noted the proposal in the President's budget to transfer things to NIH, such as the National Institute for Occupational Safety and Health (NIOSH). He said that it has been the view of the committee that NIH has enough to do, but he said he needs to understand the argument/reasoning behind the proposal.

Senator Murray asked about gun violence research and if HHS can reprogram or transfer funds to CDC to start this work. Secretary Azar said they are not prevented from using appropriated funds for this research, but that he has to look into the ability to transfer funds to CDC. He would not comment on what would be included in the FY20 budget for gun violence research.