

STATEMENT FOR THE RECORD BY
THE ERISA INDUSTRY COMMITTEE (ERIC)
TO THE
U.S. SENATE
COMMITTEE ON FINANCE
HEARING ON
"PRESCRIPTION DRUG PRICE INFLATION:
AN URGENT NEED TO LOWER DRUG PRICES IN MEDICARE"

March 16, 2022

Chairman Wyden, Ranking Member Crapo, and Members of the Committee, thank you for the opportunity to submit a statement for the record on behalf of The ERISA Industry Committee (ERIC) for the hearing entitled "*Prescription Drug Price Inflation: An Urgent Need to Lower Drug Prices in Medicare.*"

ERIC is a national nonprofit organization exclusively representing the largest employers in the United States in their capacity as sponsors of employee benefit plans for their nationwide workforces. ERIC's member companies voluntarily provide benefits that cover millions of active and retired workers and their families across the country. With member companies that are leaders in every sector of the economy and with stores, factories, offices, warehouses, and other operations in every state, ERIC is the voice of large employer plan sponsors on federal, state, and local public policies impacting their ability to sponsor benefit plans and to lawfully operate under ERISA's protection from a patchwork of different and conflicting state and local laws, in addition to federal law.

You are likely to engage with an ERIC member company when you drive a car or fill it with gas, use a cell phone or a computer, watch TV, dine out or at home, enjoy a beverage, fly on an airplane, visit a bank or hotel, benefit from our national defense, receive or send a package, go shopping, or use cosmetics.

ERIC member companies provide comprehensive health benefits (including drug coverage) and pay the vast majority of these costs incurred by plan beneficiaries – as such, they have a significant stake in, and deep commitment to, efforts to curb the unsustainable rising costs of prescription drugs. Brand prescription drug costs have increased by nine percent annually for the past decade, and much of the burden is falling on the employers who, on average, pay 75 percent of the cost of care for 181 million American employees and family members. Additionally, drug costs represent the fastest-growing component of health care costs for employers and plan beneficiaries.¹ We strongly believe that healthy, functioning, competitive markets can drive lower prices and improve value. But we also recognize that markets sometimes fail or don't even exist, and in those cases, government involvement is needed.

¹ Gigi Cuckler et al., "[National Health Expenditure Projections, 2018-2027](#)"; Health Affairs 37(3); March 2018.

THE ERISA INDUSTRY COMMITTEE

Shaping benefit policies before they shape you.

Employer-sponsored health coverage is popular and valued by employees across the country. But to be a sustainable benefit, health coverage needs to be high quality and affordable. As you consider policies to lower prescription drug costs in Medicare, we urge the Committee to ensure that these policy changes do not result in shifting costs onto the millions of employees, families, and retirees who receive their health care benefits from their employers. ERIC urges Congress to ensure that measures such as negotiating prescription drug costs and inflation caps in the Medicare program do not make matters worse for private sector payors, and to adopt robust safeguards to ensure that employers and consumers do not experience cost-shifting increases due to changes in how the Medicare program pays for drugs. An internal analysis by the American Health Policy Institute (AHPI) finds that if drugmakers seek to make up for lost revenue due to Medicare price caps, employer-sponsored insurance premiums would increase by up to 3.7 percent per year above their current cost trends. In just the first five years, if Medicare negotiation is implemented, employers, employees, and their families would face more than \$125 billion in increased drug costs.² Employees and their families who receive their health benefits from their employer are already experiencing high drug costs and spend on average \$4,571 per year.³ These cost increases are unsustainable for working Americans.

Conclusion

ERIC and its member companies are committed to advancing policies that will lower costs and improve the quality of health care. We look forward to working with you as you develop Medicare prescription drug policy to ensure it does not adversely affect employer-sponsored coverage for American workers, their families, and retirees.

² <https://www.pbgh.org/wp-content/uploads/2021/09/Employer-Group-Letter-on-Drug-Pricing-to-Hon.-Ron-Wyden.pdf>

³ Black, Michelle. Value Penguin. February 28, 2022. <https://www.valuepenguin.com/pharmaceutical-spending-study>