



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Grassley blasts bureaucracy for failure to crackdown on prescription drug overcharges;
praises Inspector General for work on 340B program.

WASHINGTON - Sen. Chuck Grassley, chairman of the Committee on Finance, is continuing his efforts to get the federal government to take action to ensure that taxpayer-supported hospitals, community health centers and clinics for AIDS victims do not pay more than they should for prescription medicines.

Yesterday, the Inspector General responded to Sen. Grassley's concerns about drug companies overcharging for prescription drugs and issued a new report, entitled *Deficiencies in the Oversight of the 340B Drug Pricing Program*. As chairman of the Committee on Finance, Sen. Grassley requested that the Inspector General report to the Committee a comprehensive list of outstanding recommendations necessary to fix problems the Inspector General identified with the administration of the 340B drug pricing program.

"The bureaucrats in charge of this program cannot say whether or not the most vulnerable among us are paying too much for prescription drugs. Fortunately, the Inspector General has been on the job. The agency is failing in one of its core missions."

The Inspector General reported that the Health Resources and Services Administration (HRSA) at the Department of Health and Human Services continues to have systemic problems:

HRSA needs an accurate record of 340B ceiling prices to verify that entities receive the discount to which they are entitled by law. A review of CMS's analysis of the first quarter 2005 340B ceiling prices revealed significant problems with the underlying data used in its calculation. In particular, the Government's record was missing 28 percent of the 340B ceiling prices. Further, 8 percent of its prices did not include the 340B discount, producing inaccurate ceiling prices. Finally, HRSA received a substantial amount of information that was not relevant to the 340B program, but upon which it inappropriately relied in conducting analyses and performing its oversight role.

In letters sent previously to the Secretary of Health and Human Services and the Administrator of HRSA, Grassley asked for an accounting of what the government had done to recover certain overcharges reported by the Inspector General in 2003 and 2004. The Inspector General's letter to Sen. Grassley confirmed that HRSA has been unsuccessful in recovering overcharges from four drug companies - Aventis, Bristol-Myers Squibb, GlaxoSmithKline and TAP

Pharmaceuticals. In addition, the Inspector General confirmed that HRSA has not had access to the 340B ceiling price data maintained by the Centers for Medicare and Medicaid Services (CMS) for almost a year:

[HRSA and CMS] signed a new Intra-Agency Agreement on September 20, 2005, effective for fiscal year 2005. HRSA did not previously have access to the . . . data maintained by CMS for almost a year prior to this Agreement. . . . No Intra-Agency Agreement has been signed for fiscal year 2006.

“This is an agency that lacks the basic drug pricing data necessary to oversee the program. Even if it had accurate information, the agency neither has the tools to catch drug companies who are overcharging for drugs nor the authority to effectively sanction them,” Grassley said.

The Secretary and Administrator have yet to respond to Sen. Grassley’s letter, dated September 1, 2005.

The letter from the Inspector General to Sen. Grassley and the new 340B report are attached here.

Previous correspondence can be found at:

<http://finance.senate.gov/press/Gpress/2005/prg090105lett1.pdf>

<http://finance.senate.gov/press/Gpress/2005/prg090105lett2.pdf>