

Senate Committee on Finance

Nomination of Alex Michael Azar II to be Secretary of Health and Human Services

January 9, 2018

10:00 AM, 215 Dirksen

Purpose

The purpose of today's hearing is to Hearing to consider the Anticipated Nomination of Alex Michael Azar II, of Indiana, to be Secretary of Health and Human Services (HHS).

Members Present

Chairman Hatch, Ranking Member Wyden, Senator Cardin, Senator Enzi, Senator Stabenow, Senator Thune, Senator Casey, Senator Portman, Senator Nelson, Senator Scott, Senator Warner, Senator Heller, Senator Brown, Senator McCaskill, Senator Cantwell, and Senator Carper

Witnesses

Mr. Alex Michael Azar II

Of Indiana, to be Secretary of Health and Human Services
United States Department of Health and Human Services

The Honorable Tommy Thompson

Former Secretary of Health and Human Services
United States Department of Health and Human Services, 2001-2005

The Honorable Michael Leavitt

Former Secretary of Health and Human Services
United States Department of Health and Human Services, 2005-2009

Opening Statements

Chairman Hatch welcomed **Mr. Azar** and said that **Mr. Azar** has his work cut out for him at HHS. He summarized **Mr. Azar's** professional career, highlighting his previous tenure at HHS and said that **Mr. Azar** is more than capable of heading HHS. He addressed talk about "supposedly revolving doors" and "nonexistent conflicts of interests." **Chairman Hatch** then addressed some of the major criticisms against **Mr. Azar**, specifically saying that working in the private sector shouldn't preclude them from serving in government. He added that **Mr. Azar** is committed to divesting from anything that might construe a conflict of interest or give the appearance of a conflict of interest. **Mr. Azar's** work in the pharmaceutical industry will give in important insight into industry, especially combined with his previous experience at HHS. **Chairman Hatch** expressed hope today's hearing would be productive and the nomination would be confirmed in short order. **Chairman Hatch** also expressed his support for CHIP, its reauthorization, and the need to do so quickly.

Ranking Member Wyden thanked **Chairman Hatch** for convening the hearing and acknowledged **Chairman Hatch's** impending retirement. **Ranking Member Wyden** also expressed his support for CHIP and need to reauthorize it quickly. He then addressed the nomination of **Mr. Azar**. He said that **Mr. Azar** has a documented history of raising pharmaceutical prices. The issues he'll work on at HHS will be defining issues: two years ago, President Trump promised Americans that the era of skyrocketing drug prices will be over. To say the administration hasn't delivered is an understatement. **Mr. Azar's** position at Eli Lilly/Lilly USA gave him purview over drug prices. **Ranking Member Wyden** named specific Lilly drugs and their corresponding drug increases during **Mr. Azar's** tenure at Lilly. **Ranking Member Wyden** said that there's a fair amount of validity in blaming these increased prices on a broken system. Yet, **Mr. Azar** has come up empty on giving us solutions on how to fix this system, as would be his job at HHS. **Mr. Azar** said Medicaid counts as welfare. Medicaid spans generations, it is a lifeline program. The Trump administration wants to end this program. He expressed interest in **Mr. Azar's** view on this issue and how it endangers the health of low-income Americans. People with business backgrounds are valuable, but those view need to be combined with values that will benefit the American people.

Introductions

Secretary Thompson praised **Mr. Azar's** educational pedigree and character. He said that **Mr. Azar** will get things done at HHS. Because he wants to take on these challenges, he will work with Congress in a bipartisan manner. He said that "if Alex says he'll do it, he'll do it."

Secretary Leavitt joined himself with **Secretary Thompson's** comments. He cited an example from the Bush administration to show **Mr. Azar's** collaborative and analytical abilities. He said **Mr. Azar** is a man of good judgement. In very lawyerly and impartial way, **Mr. Azar** made recommendations to Secretary Leavitt during his tenure at HHS. He said **Mr. Azar** is a man of good judgement and is compassionate. He is a position to hit the ground running at HHS due to his previous experience there.

Witness Testimony

Mr. Azar introduced his family in attendance. He summarized his family's immigration story and first interactions with federal public health services. The mission of HHS is to enhance and protect the health of all Americans. HHS is primed to meet that challenge, though the task is humbling. He cited his experience at HHS facing post-9/11 public health challenges. He aims to focus his personal efforts in four critical areas: 1) Drug prices are too high. With his experience in industry and government, he hopes to tackle these issues; 2) Healthcare should be more affordable and accessible and tailored to what Americans require for their care; 3) Need to harness the power of Medicare and health info tech to ensure the individual patient is at the center of decision making with greater transparency and autonomy; 4) Heed President Trump's call to address the opioid crisis with compassionate care at the heart to help those who are addicted.

Questions and Answers

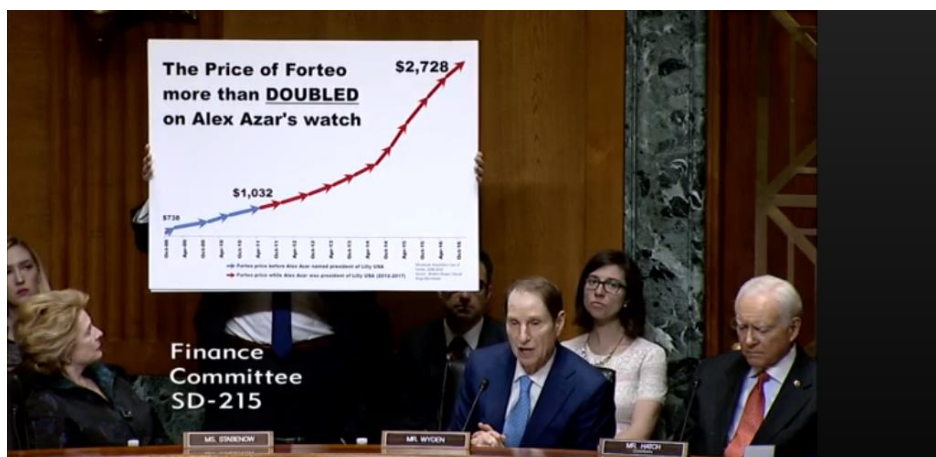
Chairman Hatch asked **Mr. Azar** about his commitment to CHIP. **Mr. Azar** said that he looks forward to learning from the Committee and is dedicated to preserving **Chairman Hatch's** legacy.

Senator Cardin asked **Mr. Azar** about a Maryland-specific initiative. **Senator Cardin** said that it's important the HHS Secretary be involved in minority health issues. **Mr. Azar** gave his commitment to be doing everything possible at HHS for all Americans, regardless of skin color. Senator Cardin then asked about the Trump administration's implementation of a gag order that stifles America's ability to work with international aid groups. He expressed disagreement with policy and said it's counterproductive. Mr. Azar said he's not deeply aware of changes in implementation of the Mexico City policy but is willing to look into it. Senator Cardin asked about drug prices and how Mr. Azar expects to address this issue and bring down drug prices. Mr. Azar said that this is such a complex area and the learning curve is high for anyone else who would come into this role. He wants to create a robust biosimilar market as a solution to the drug price issue. He also wants to go after exclusivity and gaming of patents by drug companies. He said there's no silver bullet, but he wants to start with researching whether incentives can be reversed on list prices, and whether those list prices can be pulled down.

Chairman Hatch asked his set of obligatory questions regarding conflicts of interest and ability to discharge duties. **Mr. Azar** answered appropriately (no red flags).

Senator Grassley asked **Mr. Azar** if he will commit to collecting and posting data on the open payments website. **Mr. Azar** said he is a big supporter of the Sunshine Act and said that transparency is extremely helpful. **Senator Grassley** then asked, using the CMS oversight of the EpiPen as an example of a misclassified drugs problem, how **Mr. Azar** will approach fixing the Medicare drug rebate program. **Mr. Azar** said he will work with Administrator Verma and CMS. He said the key issues to ensure are the guidance and then moving to enforcement.

Ranking Member Wyden asked **Mr. Azar** questions using charts. He quoted **Mr. Azar's** description of his own role at Lilly back to him. During his time in these positions, the company's annual reports show a specific osteoporosis drug's profits grew 58%. Shareholders were told revenues increased because the drug's prices went up, as per the Committee's investigation. **Ranking Member Wyden** asked if it is true the price of Forteo doubled during his tenure: yes or no. Mr. Azar agreed the data is directionally correct.



Ranking Member Wyden continued this line of questioning with other specific drugs and charts. He asked **Mr. Azar** if he ever lowered the price on a drug while at Lilly. **Mr. Azar** said that there is no incentive to lower prices and he wants to work on this while at HHS. **Ranking Member Wyden** asked to let the record show **Mr. Azar** said “no.”

Senator Enzi asked **Mr. Azar** for a commitment to examining the Wyoming waiver application. **Mr. Azar** said that if his confirmed as Secretary, he will get on that right away. **Senator Enzi** asked **Mr. Azar** about Novartis’ discussions with CMS on pricing a new leukemia drug. He asked **Mr. Azar** for his view on outcomes-based contracting with the private sector. **Mr. Azar** said this method can be vitally important. Some of the rules around government price reporting can be a barrier.

Senator Stabenow asked **Mr. Azar** in which direction **Mr. Azar** will hit the ground running at HHS. She said she shares **Ranking Member Wyden’s** concerns regarding **Mr. Azar’s** role at Lilly. She asked if he agrees that \$255 for one vial of a Lilly drug is too high. **Mr. Azar** said across-the-board drug prices are too high. He said the net realized price at Lilly during this time remained flat. **Senator Stabenow** said that **Mr. Azar** was taking advantage of the system during his time at Lilly and that was his choice. She used the example of insulin, developed several decades ago, as one drug that ought not to have exorbitant R&D and manufacturing costs associated with it. She then asked if he supports negotiation for Naloxone. **Mr. Azar** said there’s nothing at all wrong with the government negotiating for value if they are the purchaser.

Senator Thune asked **Mr. Azar** about a beneficiary analysis report HHS was expected to deliver to Congress by January 2017. **Senator Thune** then discussed telehealth in rural areas, including his home state. **Mr. Azar** said that he supports telehealth and alternative means of providing care in rural areas and will support any cost-saving measures as such if he is confirmed.

Senator Casey shared a constituent letter that detailed the life a woman caring for her disabled son on Medicaid. **Mr. Azar** said that he shares with **Senator Casey** a commitment to the Medicaid program. **Senator Casey** said that under current law there is a guarantee

to Medicaid to low income and disabled individuals regardless of wealth. **Mr. Azar** acknowledged that guarantee and said any sort of reform would require close examination of priorities.

Senator Portman discussed his bill, the Medicaid CARE Act. He asked **Mr. Azar** if he would support legislation that raises bed caps in rehab facilities. **Mr. Azar** said he doesn't understand the restrictions. While he can't comment on legislation, he is willing to work together on this issue.

Senator Nelson asked **Mr. Azar's** opinion that if in welfare reform Medicaid, Medicare, and Social Security should be included. **Mr. Azar** said the President has expressed his opposition to cuts to Medicaid, Medicare, and Social Security. **Mr. Azar** hesitated to answer clearly. **Senator Nelson** asked if **Mr. Azar** supports increasing the Medicare eligibility age. **Mr. Azar** said that he wants to run Medicare more effectively and efficiently. He said he hasn't said anything publicly about eligibility age. **Senator Nelson** said asked to let the record show **Mr. Azar** didn't reject increasing the Medicare eligibility age. **Mr. Azar** said he doesn't know of any proposals to turn Medicare into a voucher program. **Mr. Azar** said that he wants states to run their Medicaid programs as they need to. He wants the federal government to be a flexible partner.

Senator Scott cited an example from South Carolina's health insurance market. **Mr. Azar** said that he wants to solve the program for people in and outside the market, especially those outside the market by virtue of being outside they increase premiums. He wants to work with states on 1332 waivers. **Senator Scott** then asked a question related to the opioid crisis. **Mr. Azar** said there's no one size fits all approach for treatment and prevention.

Senator Warner asked **Mr. Azar** about how much transparency is needed as drug companies raise their prices. **Mr. Azar** said that more transparency is always good but it's important that government measures don't lead to anti-competitiveness.

Senator Heller asked **Mr. Azar** what he plans to improve at HHS in terms of quality and access of care. **Mr. Azar** said he will take whatever is there (ACA) and make it work as best as it can. He wants to work with states to come up with different approaches. **Senator Heller** asked **Mr. Azar** about his opinion of the Graham-Cassidy-Heller-Johnson legislation. **Mr. Azar** said he likes the bill's empowerment of states.

Senator Brown asked **Mr. Azar** if he will commit to prioritizing the opioid crisis. **Mr. Azar** consented. In regards to Medicaid, **Senator Brown** asked if an individual who has been diagnosed with a severe mental illness or addiction be considered "able-bodied." **Mr. Azar** was unable to provide a concrete definition of "able-bodied." **Senator Brown** asked **Mr. Azar** to submit a definition of "able-bodied" before his confirmation vote takes place.

Senator McCaskill asked **Mr. Azar** about the cost of advertising of drugs. She asked **Mr. Azar** for a specific number from Lilly's ad budget, but **Mr. Azar** said he can't share that information. **Senator McCaskill** expressed outrage that the American taxpayer is

subsidizing such ridiculous advertisements. She said it's inherently wrong that Americans are being told what to ask their doctors to prescribe them. She then asked if negotiation is an incentive to lower prices. **Mr. Azar** said negotiations isn't an incentive on list prices.

Senator McCaskill asked if the provision for negotiation is removed from law, prices truly wouldn't go up. **Mr. Azar** said yes. They disagreed over whether the federal government is currently negotiating directly or if a middleman is negotiating on behalf of the government. **Senator McCaskill** said a middleman is currently negotiating for the government. She refused to acknowledge **Mr. Azar's** point.

Senator Cantwell asked **Mr. Azar** if he supports block granting. **Mr. Azar** said yes.

Senator Cantwell said that the proposals on block granting by this administration are just budget mechanisms and no innovation. **Mr. Azar** said he supports a move from fee-for-service to value-based care.

Ranking Member Wyden asked to submit documents to the record because **Mr. Azar's** answers to **Senator Nelson's** and **Senator McCaskill's** questions were incorrect (budget documents).

Ranking Member Wyden then asked **Mr. Azar** about block grants that the state Medicaid directors say no amount of flexibility will make them viable.

Senator McCaskill asked **Mr. Azar** if the patent system was being abused. He agreed.

Senator Carper asked **Mr. Azar** about LARCs: long acting reversible contraception. He asked **Mr. Azar** what the barriers are to expanding access to LARCs and lowering the rate of unplanned pregnancy in the US. **Mr. Azar** said he would like to investigate further the barriers to LARCs as he isn't presently aware of such issues.

The Committee was recessed until further notice.