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**Opening Statement of Rep. Jason Chaffetz,
Ranking Member
Subcommittee on Federal Workforce,
Postal Service, and the District of Columbia
Committee on Oversight and Government Reform**

June 24, 2009

Thank you, Chairman Lynch, for holding this hearing on the Federal Employees' Health Benefits (FEHB) prescription drug program. I also want to thank the witnesses for taking time out of their busy schedules to testify before the Subcommittee.

This is an historical time. The U.S. Government owns a stake in our largest banks and auto manufacturers. We have gotten away from our free enterprise foundation and it's very troubling. The consequences of nationalizing these financial institutions and exerting government control over them will not be realized for years to come. Meddling in the market is a precarious position for government.

While I intend to listen closely to all of the witnesses with us today, I would submit the less government involvement, the better off the program.

The free market approach is working in the prescription drug arena, not only for FEHB, but Medicare Part D as well. According to a 2003 Government Accountability Office (GAO) study, FEHB is realizing cost savings in a number of ways.

Like Medicare Part D, the FEHB prescription drug benefit is negotiated without government interference. The primary way the government saves taxpayer dollars, whether acquiring software, office supplies, or prescription drugs is through competition among providers. Secondly, FEHB utilizes pharmacy benefit managers to negotiate rebates from manufacturers, discounts from retail pharmacies, and savings by encouraging the use of generics over brand name pharmaceuticals. Not only is the FEHB program saving costs, it is providing excellent access to a wide range of prescriptions and by all accounts, beneficiaries are satisfied with the FEHB prescription drug programs offered by the various carriers.

Statutory price controls, price ceilings, mandatory pricing “transparency,” and other heavy handed government tactics might work in the smaller government prescription programs such as Tricare and the VA formulary, but FEHB is the largest employer-sponsored health insurance program in the country, and its impact on the market cannot be understated.

Were we to allow government interference in the FEHB prescription drug program, we would likely create disproportionate inflation in other markets such as private employers, unions, and the uninsured. Additionally, when the government interferes, research and development suffers.

The Heritage Foundation, in looking at the effects of nationalized healthcare, determined that France’s socialist healthcare system stifles innovation. Government imposed price cuts on pharmaceuticals in France have led to reduced availability of cutting edge medicines. The paltry amount saved up front, sacrifices the long term goal of developing life saving pharmaceuticals.

Mr. Chairman, I think the current benefit program adequately cuts costs without sacrificing quality benefits for our federal workers. Having said that, oversight by Congress, the Office of Personnel Management, and the Inspectors General is integral to ensuring the program continues to realize savings.

Thank you again for holding this hearing and I look forward to the testimony.