So it is a privilege and a pleasure to present to this distinguished committee a very fine Virginian, and one in whom the people of Virginia have great confidence, Dr. William J. Hagood, Jr.

Senator NELSON. Thank you, Senator Byrd.

Dr. Hagood comes from a part of your State where my wife has so many relatives, it is almost a mathematical certainty that one of them was a patient of the Hagood Clinic.

Senator BYRD. I might say, Mr. Chairman, that we in Virginia are very proud of the fact that Mrs. Nelson is a native of Wise County in our State.

Senator NELSON. Thank you, Senator Byrd.

First let me mention that Senator Tom McIntyre is a new member of the Senate Small Business Committee, and a new member of the Monopoly Subcommittee, and, as chairman, I am pleased to have him join us this morning in these hearings.

This morning the Senate Small Business Committee's Monopoly Subcommittee resumes its hearings on problems in the drug industry.

Our first witness was to be Dr. Philip R. Lee, Assistant Secretary for Health and Scientific Affairs with the Department of Health, Education, and Welfare. I should have said the "former" Assistant Secretary because Dr. Lee's resignation became effective just this past Monday. Dr. Lee has resigned from his post with HEW to accept the position of chancellor at the University of California Medical Center in San Francisco and he was asked to report to the university immediately.

We are, of course, disappointed that he is unable to be with us in person. However, Dr. Lee has submitted his statement for the record and it will be printed in the record in full. This statement has been distributed to the press.

(The statement of Dr. Lee follows:)

STATEMENT BY PHILIP R. LEE, M.D., ASSISTANT SECRETARY FOR HEALTH AND SCIENTIFIC AFFAIRS, U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. Chairman, last September 25th, I had the honor of appearing before the Subcommittee to report on some of the interim findings and recommendations of the Task Force on Prescription Drugs. At that time, we had not reached our findings on the principal charge to the Task Force—to determine whether it is both necessary and feasible to include prescription drugs as a benefit in the Medicare program.

We have now completed our studies and the answer to both questions is an unequivocal yes.

To reach this conclusion, the Task Force needed and obtained detailed information about the manufacture, distribution, promotion, prescribing, and use of prescription drugs in this country and abroad. We have made this information widely available in a series of five interim reports and four background papers, entitled "The Drug Users," "The Drug Makers and The Drug Distributors," "The Drug Prescribers," and "Current American and Foreign Programs." A fifth background paper, "Approaches to Drug Insurance Design," and a final summary report are in press and will be released very shortly. Mr. Chairman, I am pleased to submit these reports for the Subcommittee's records.

These reports say a great deal about the use of prescription drugs in our society. Most central to our mission, however, was their use by the elderly. We found that our 20 million citizens age 65 and older spend nearly three times as much each year for prescription drugs as the average for all Americans. We found that a significant number of these drugs are used over long periods of time in the treatment of serious chronic conditions. At the same time, we found that for many of the elderly, their incomes, assets, protection through health insur-