

Before the House Committee on Health Care

Support for House Bill 3486 – Pharmaceutical Cost Transparency

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Thank you for the opportunity to present testimony today in support of HB 3486. Kaiser Permanente Northwest provides integrated health care, including pharmacy services, for more than 500,000 members in Oregon and Southwest Washington.

HB 3486 would require pharmaceutical manufacturers to file an annual report with the Oregon Health Authority on costs in the previous calendar year associated with prescription drugs that cost \$10,000 or more per year or per course of treatment. The report must include:

- Research, development, and clinical trial costs paid by the manufacturer or a predecessor;
- Funding from outside sources used in the research and development of the drug, including government funding or other subsidies or grants;
- Manufacturing and distributions costs;
- Marketing and advertising costs;
- Costs of acquiring the drug, including costs of patents, licensing, and property rights;
- Total profits attributed to the drug; and
- Financial assistance provided to patients through patient prescription assistance programs.

Drug costs have grown significantly recently. Last year, prescription drug spending rose 12% -- the biggest increase in over a decade.¹ That increase is due in large part to high cost specialty drugs. In 2013, specialty drugs accounted for 1% of prescriptions written in the U.S., but 25% of drug spending.² Specialty drug prices increased 19% in 2012 – without which, overall pharmaceutical spending growth would have decreased.³ There was a 14% increase in specialty drug spending from 2012 to 2013, and similar double-digit increases are projected for 2014-2015.⁴ And U.S. spending on specialty prescription drugs is projected to *quadruple* to \$401.7 billion in 2020 from \$87.1 billion in 2012.⁵

The recent release of new hepatitis C treatments has exemplified this issue. Sofosbuvir (Sovaldi) became available in late 2013 at a price tag of \$1,000 a pill and at least \$84,000 a treatment.⁶ Treatments that have been released since then are in the same price range. There has been little revealed about how the price was established. To treat all 3 million hepatitis C patients in the U.S. at the list price would cost \$300 billion.⁷ For Kaiser Permanente alone, it was cost \$4.2 billion to treat all our members (nationally) who have been diagnosed with hepatitis C with these new, expensive treatments. To put it in perspective, that's \$700 million more for one drug than the \$3.5 billion we currently spend annually on all drugs. There are estimates that new treatments for hepatitis C alone could add \$200-300 a year to every American's insurance premium for the next five years.⁸

And the financial impact can also be seen on the state budget, through increased costs in Medicaid and public employees' coverage. These costs could threaten to usurp the savings achieved through health system transformation efforts over the last several years. It is estimated that 78,000 people have hepatitis C in Oregon.⁹ At \$84,000 a treatment, that equates to more than \$6.5 billion in Oregon alone to treat hepatitis C with Sovaldi.

Meanwhile, Gilead Sciences, manufacturer of Sovaldi, announced last month that it has more than doubled its revenue in 2014, up to nearly \$25 billion.¹⁰ Of that, \$12.1 billion was profit, most of which came from sales of Sovaldi—a drug that Gilead acquired through purchasing another manufacturer, Pharmasset, for \$11 billion.¹¹ Gilead is offering Sovaldi in 91 other countries at a cost of only \$900.¹² But despite its record profits, the price in the U.S. continues to be \$84,000.

This issue is not specific to just one condition, drug, or manufacturer. There have always been very expensive treatments, but those have usually been “orphan” drugs for rare diseases. However, the recent trend is the high-prices for new specialty drugs that are *non-orphan*, meaning they are not just for rare diseases. They are for conditions such as hepatitis C, HIV, and cancer.

HB 3486 will provide tools to the state and policymakers to better understand the drivers of very high cost drugs. It will help policymakers better understand whether drugs are priced based on the cost of bringing a drug to market—as often claimed—or other factors. There is no easy policy approach, especially at the state level, to solve this looming crisis. But HB 3486 is a solution that the Legislature can advance now to begin to tackle this issue. We need a robust public dialogue about sustainable drug pricing and how drug prices impact affordability. States need better information so they can debate whether the price reflects the value of these medications, and what state budget sacrifices will need to be made to pay these exorbitant prices.

Thank you for hearing this important legislation. Kaiser Permanente supports HB 3486 and respectfully requests the Committee’s support in moving it forward.

¹ <http://www.wsj.com/articles/expensive-hepatitis-c-medications-drive-prescription-drug-spending-1425960214>

² 2012 Express Scripts Drug Trend Report

³ “Specialty Drugs: Issues and Challenges – Advancing Effective Strategies for Addressing Soaring Drug Costs While Assuring Access to Effective Treatments and Promoting Continued Medical Innovation,” America’s Health Insurance Plans (AHIP) Issue Brief, February 2014

⁴ *Id.*

⁵ Centers for Medicare and Medicaid Services 2012 National Health Expenditures Survey

⁶ <http://www.bizjournals.com/portland/blog/health-care-inc/2014/05/at-1-000-per-pill-new-hepatitis-c-drug-has.html?page=all>

⁷ Based on CDC estimate of at least 3 million Americans infected with chronic Hepatitis C, multiplied by the price of sofosbuvir

⁸ <http://jama.jamanetwork.com/article.aspx?articleid=1890401>

⁹ See note 6.

¹⁰ <http://sanfrancisco.cbslocal.com/2015/02/11/gilead-sciences-doubles-its-profit-in-2014-to-12-1-billion-on-strength-of-1000-per-pill-hepatitis-drug/>

¹¹ <http://investors.gilead.com/phoenix.zhtml?c=69964&p=irol-newsArticle&ID=1632335>

¹² <http://www.bloomberg.com/news/articles/2014-09-15/gilead-licenses-sovaldi-to-mylan-others-for-developing-markets>