

**America's Health
Insurance Plans**

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March 18, 2015

The Honorable Mitch Greenlick, Chair
The Honorable Cedric Hayden, Vice-Chair
The Honorable Rob Nosse, Vice-Chair
House Committee on Health Care
900 Court Street NE, Room 453
Salem, Oregon 97301

Re: HB 3486 – SUPPORT

Dear Representatives Greenlick, Hayden, and Nosse:

I write today on behalf of America's Health Insurance Plans (AHIP) in support of HB 3486, which would require manufacturers of high cost prescription drugs to file reports on the costs associated with those drugs.

AHIP is the national trade association representing the health insurance industry. AHIP's members provide health and supplemental benefits to more than 200 million Americans through employer-sponsored coverage, the individual insurance market, and public programs such as Medicare and Medicaid. Our members offer a broad range of health insurance products in the commercial marketplace and also have demonstrated a strong commitment to participation in public programs.

Pharmaceutical advances have brought about life-saving medications that have revolutionized the treatment of certain diseases. Moreover, prescription drug coverage is an essential health benefit under government programs, such as Medicaid and Medicare, and private health insurance. Through innovative pharmacy programs, health insurers have provided affordable coverage of prescription drugs to ensure that patients have access to medically necessary care. Yet, the rising prices of prescription drugs threaten the long-term sustainability of pharmaceutical innovation and patient access to the medications they need.

HB 3486 seeks to bring information to the public that we desperately need to include in any solutions dealing with high cost drugs.

Today, policymakers and the public have no data on how prescription drugs are priced – we hear from the pharmaceutical industry that they are setting their prices to recoup research and development costs and to invest in new therapies.

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However, it is estimated that pharmaceutical companies spend less than 20% of their revenue on research and development of new medications. A report by Vox¹ shows the percentage of revenue spent on both research and development (R&D), and sales and marketing of prescription drugs from the largest 10 drug manufacturers. This article clearly shows that it's not R&D that is driving high prices. R&D funding is clearly dwarfed by the funds allocated towards sales and marketing, almost on a 2-to-1 ratio in many cases.

This information assembled by Vox required extensive review of hundreds of SEC filings to determine overall spending by these drug makers – yet, this information is not readily available for policymakers or the public. We think it's time to change that.

Over the last several decades, the use of prescription drugs has increased significantly and now accounts for approximately 14% of total claims paid by health insurers.²

According to the Centers for Medicare and Medicaid Services in 2011, prescription drug expenditures were \$276 billion and were the third highest category of health expenditures behind physician and clinical services (\$538 billion) and hospital charges (\$831 billion). In Oregon, it's required that hospitals report cost data so policymakers and the public have an understanding of hospital costs. However, no such data is known about prescription drugs.

This bill requires that certain information be submitted when a drug costs more than \$10,000 per month, limiting the reporting to the highest cost drugs.

This streamlines the focus to the high cost drugs and avoids unnecessary administrative burden on many drug makers who produce lower cost drugs.

More importantly, this bill asks for information that is neither proprietary nor confidential in nature, but asks for aggregate costs that the manufacturer tracks related to the development, production, and distribution of these drugs. Since many of these medications also are supported by tax-payer funding as part of the research and development cycle and are paid for using tax-payer funds through Medicaid and the state employee plans, we believe it is of prudent public interest to understand how those funds are ultimately being spent. This bill does not require proprietary payment rates that drugmakers may pay clinical trial practitioners, nor does it require detailed trade secret information. It simply asks for information that is part of the overall drug development process, none of which will produce competitive harm to any drug maker.

¹ “9 of 10 top drugmakers spend more on marketing than research.” Vox. February 11, 2015. Available at <http://www.vox.com/2015/2/11/8018691/big-pharma-research-advertising>.

² PricewaterhouseCoopers, “The Factors Fueling Rising Healthcare costs”

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As the use and cost of prescription drugs continues to rise, it is critically important to understand the investment behind the development and marketing of such drugs in order for policymakers to ensure continued access to affordable medications.

This legislation requires certain drug makers to report costs related to development, production, distribution and administrative costs for the prescription drugs offered to patients in Oregon. This seeks to allow consumers and policymakers to have essential information about the underlying costs of prescription drugs and develop solutions to enable continued access to affordable medications.

We thank you for considering our comments and ask for your support in this endeavor as we work together to develop solutions that will ensure affordability, accessibility, choice and value in health care. If you have any questions, please do not hesitate to contact me at gcampbell@ahip.org (971-599-5379).

Sincerely,

A handwritten signature in black ink that reads "Grace Campbell". The signature is written in a cursive, flowing style.

Grace Campbell
Regional Director