

March 3, 2017

Representative Mitch Greenlick, Chair  
House Committee on Health Care  
Oregon State Legislature

Re: HB 2387

Chair Greenlick and Members of the Committee:

OSPIRG strongly supports HB 2387, an urgently needed comprehensive approach to addressing the rising cost of prescription drugs.

As a participant in the interim workgroup that contributed to the development of this legislation, we are pleased to support the final product, and we applaud the hard work of the legislators and stakeholders involved in the process to identify concrete, actionable steps to decrease patient out-of-pocket costs, increase transparency and accountability for the prescription drug industry, and reduce the burden of skyrocketing drug costs on all Oregonians. While the legislation as introduced will likely require additional work, we urge the Committee to make this legislation, and the issue of rising drug costs, a top priority this Session.

The high cost of prescription drugs has been a perennial concern for Oregon consumers, but in recent years, it has become the #1 health care issue we hear about from our members, and polls consistently show rising drug costs to be of great concern for all Oregonians and all Americans, across the political spectrum and across all demographics. This new urgency can likely be attributed to the combination of new crop of life-changing but extraordinarily expensive specialty drugs that have come on the market in recent years and headline-grabbing price hikes for older medications that had previously been available at reasonable prices.

Rising prescription drug costs are a burden on all Oregonians—not just the patients who depend upon expensive specialty drugs—through rising health insurance premiums, rising costs for Oregon businesses and a growing burden on state and federal budgets.

Through our years of experience as a voice for consumers in Oregon's unique, transparent health insurance rate review process, we have seen firsthand the impact of rising prescription drug prices on Oregon health insurance premiums. While we have often been concerned that the premiums requested by health insurers may be unjustified and excessive, it is hard to dispute the reality that rising prescription drug prices are a major and growing factor in rising health insurance premiums. To demonstrate this, we will provide a brief preview of the findings from a forthcoming OSPIRG Foundation report.

Reviewing the health insurance rate filings for the six largest health insurers in Oregon, we observe that the average projected increase for prescription drug costs from 2016 to 2017 is approximately *half* the average increase for all other medical costs. But since the numbers are just projections, we also examined the actual experience of Oregon insurers from 2014 to 2015 (the most recent year available). Among our findings:

- 2016-2017 average projected increase in Rx costs: **10.52%**
- 2016-2017 average projected increase in other medical costs: **5.07%**
- 2014-2015 average increase in Rx cost per member per month (PMPM): **22.04%**
- 2014-2015 average increase in all other medical costs PMPM: **12.57%**

Frankly, all of these numbers are alarming given Oregon's goal of holding medical inflation below 3.4%, but it is clear that prescription drug costs are contributing significantly more than their fair share.

HB 2387 provides a prescription for the symptoms as well as the disease of rising prescription drug costs. It will treat the symptoms by providing consumers with immediate relief from sometimes prohibitively high out-of-pocket costs, opaque prices and unexpected formulary changes. It will treat the disease by requiring transparency about pharmaceutical corporation pricing practices and requiring rebates when prices exceed a reasonable benchmark set by comparison with the rest of the developed world.

We believe that the transparency and accountability provisions are the most important component of this legislation, and will ultimately do far more to help Oregon consumers than policies that just limit consumer out-of-pocket costs. By taking measures to begin holding prescription drug manufacturers accountable for keeping their prices reasonable, the state can lower the actual cost of covering prescription drugs, which will ultimately help bring down both premiums and out-of-pocket costs.

Some have argued that HB 2387's rebate provisions will constitute a windfall for health insurers that will not benefit patients. This is simply inaccurate, and OSPIRG would strongly oppose the legislation if it were. Health insurers will be required pass along the savings to consumers through lower copays via HB 2387's copay caps. While this pass-along may not prove to be exactly 1-1, lower pharmacy costs for insurers will also be reflected in the data provided to the Department of Consumer and Business Services in the health insurance rate review process, and we are confident that the state's regulators will take action to reduce premiums if necessary rather than allow insurers windfall profits.

Others have argued that the kind of transparency and accountability envisioned in HB 2387 will harm the prescription drug manufacturing industry and potentially stifle market competition. OSPIRG has long supported more robust action against anti-competitive behavior in the prescription drug industry, and we recognize the benefits of competition to bring down drug costs. We would not support this legislation if we believed it would damage the kinds of competition that benefit consumers. Through Oregon's health insurance rate review program, we have seen that transparency and accountability can coexist with a robust, competitive market.

We estimate that Oregon's rate review process has helped cut over \$179 million in waste and unjustified costs from health insurance premiums since 2010,<sup>1</sup> while requiring insurers to make public far more detailed information than HB 2387 would require of pharmaceutical corporations. In the face of this scrutiny, Oregon's health insurance market has remained one of the most competitive in the nation. Oregon's rate review program shows that accountability and transparency work to bring down costs. HB 2387 is an important step toward applying those lessons to the market for prescription drugs.

Oregon consumers are counting on you to stand up for them and take action on rising prescription drug costs. We urge you to support HB 2387 and to make this issue a top priority for the 2017 Legislative Session.

Thank you for your consideration.

Jesse Ellis O'Brien  
OSPIRG Policy Director

---

<sup>1</sup> See our [in-depth report](#) on the issue from 2013, as well as our follow-up reports from [2014](#) and [2015](#).