

February 28, 2017

The Honorable Peter Courtney  
900 Court Street NE S-201  
Salem OR 97301

The Honorable Tina Kotek  
900 Court Street NE Room 269  
Salem OR 97301

Dear President Courtney and Speaker Kotek,

I am writing to share my concerns with House Bill 2387 and the impact it may have on medical innovation here in Oregon with patient access to needed drugs and medications. I am a founding member of Citizens' Coalition for Social Justice. We have dedicated our efforts to improve social justice for the environment, legislation, healthcare, and the well-being of all Oregonians for over four years. I fear HB 2387 limits its focus only to manufacturers, and it will fall short of its stated goal of addressing out-of-pocket costs to consumers.

I worked for Kaiser Permanente for 20 years. I understand drug prices are a complex combination of market forces, negotiations between manufacturers, payers, and pharmacy benefit managers (PBMs). Unfortunately, the types of disclosure requirements in HB 2387 can interfere with market environments for price negotiations which, in turn, result in harming patients. They can actually drive up overall healthcare costs. These data points also ignore discounts, rebates, and patient assistance programs that reduce the true cost of a drug from the listed retail price, thus providing inaccurate and misleading information.

This bill focuses on individual cost inputs and misses the tremendous value new treatments offer, both to individual patients who might otherwise have no options as well as healthcare systems and society as a whole. Innovative new treatments approved in recent years have turned HIV/AIDS into a manageable disease and virtually

cured Hepatitis C. Even with these advances, studies show that drug costs have held steadily at roughly 10% of healthcare spending since 1960.<sup>1</sup> At the same time, spending on innovative medicines can actually help decrease overall healthcare spending as noted by the nonpartisan Congressional Budget Organization in 2012 (e.g., by decreasing the number of hospitalizations and physician office visits needed).<sup>2</sup>

These tremendous advances don't happen easily -- they're the result of risk, hard work, and dedication by talented researchers. When accounting for failures, developing a new drug can take 10-15 years and cost more than \$1 billion.<sup>3</sup> The requirements envisioned by HB 2387, however, would result in burdensome new administrative costs. Small biotech companies, which drive Oregon innovations, would be forced to divert resources to reporting and compliance that might otherwise be used for developing new treatments.

These bills don't address patient out-of-pocket costs, would not result in relevant information to patients and doctors making healthcare decisions, and could hamper incentives for future innovative treatments and cures. Therefore, I urge you to oppose HB 2387 and work to develop policies that reduce overall healthcare costs while protecting medical innovation.

Sincerely,



Susan V. Christenson  
Citizens' Coalition for Social Justice  
Cc: The Honorable Ginny Burdick  
The Honorable Jennifer Williamson  
Senate Committee on Health Care Members  
House Committee on Health Care Members

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<sup>1</sup> See CMS, 2016, *National Health Expenditure Data: Historical*, NHE Tables, Table 02 "National Health Expenditures; Aggregate and Per Capita Amounts, by Type of Expenditure.xls, Cells (B-U)4 and (B-U)16, available at:

<https://.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html> (last accessed January 19, 2017).

<sup>2</sup> Congressional Budget Office (2012). Offsetting effects of prescription drug use on medicare's spending for medical services. Congressional Budget Office Report, Retrieved at <http://www.cbo.gov/sites/default/files/cbofiles/attachments/43741-MedicalOffsets-11-29-12.pdf>.

<sup>3</sup> DiMasi, J.,H.G. Grabowski, and R.W. Hansen. 2016. Innovation in the pharmaceutical industry. New estimates of R&D costs. *Journal of Health Economics* 47:20-33.