

AARP Oregon Testimony on SB 792 and SB 793 – Prescription drug costs

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TO: Senate Committee on Health Care, Sen. Monnes Anderson, Chair

FROM: Jon Bartholomew, Government Relations Director, AARP Oregon

AARP Oregon supports SB 792 and SB 793. In the absence of federal action on this important issue, Oregon needs to blaze a trail to help our citizens afford lifesaving and life-improving medications that are out of reach of so many, whether or not they have insurance.

This is an issue that AARP knows is critically important to all Americans, but especially to the many people over 50 who depend on prescription drugs to keep them healthy and who've been devastated by the price increases we've seen in recent years.

- **Drug prices are out of control.** Prices of brand-name prescription drugs increased almost 130 times faster than inflation did in 2015 alone.
- **Advertising drives cost increases.** According to Kantar Media, the drug industry spent \$5.4 billion on ads in 2015. That's a 19 percent increase over 2014 alone.
- **Americans depend on their prescriptions.** A recent AARP survey found that 3 of 4 adults age 50+ regularly take at least one prescription medication, and over 8 in 10 take at least two drugs. More than half of seniors take four or more drugs.
- **High prices put an unfair burden on older Americans.** Data from 2015 shows the average annual cost for one brand name drug used on a chronic basis now exceeds \$5,800. For the average older American taking 4.5 prescription drugs per month, this translates into an average annual cost of therapy of \$26,000. This amount exceeds the median income of \$24,150 for Medicare beneficiaries.
- **High drug prices raise costs for everyone.** High drug costs increase health insurance premiums and cost sharing for all people with health coverage.
- **Taxpayers foot the bill.** Higher prescription drug spending also increases costs for programs such as Medicare and Medicaid; this translates into higher taxes, cuts to public programs or both.

AARP has long supported a wide variety of policies that will help reduce prescription drug prices, many of which would be addressed at the federal level. For example, we believe that the secretary of Health and Human Services should have the authority to negotiate lower drug

prices on behalf of millions of Medicare beneficiaries. In addition, we believe that we should reduce barriers to global price competition by allowing for the safe importation of lower-priced drugs. There is no reason for Americans to continue paying the highest prescription drug prices in the world.

AARP's Policy Book, which is written by expert volunteers, offers several principles for addressing the cost of prescription drugs, both at the federal and state levels:

- AARP supports competition that enables purchasers to obtain price discounts from pharmaceutical manufacturers. Resultant cost savings achieved through negotiation and/or competition should be passed along to consumers via lower prices, cost-sharing and/or enhanced benefits.
- States should use the purchasing power of Medicaid, other state-funded prescription drug benefit programs (such as those for state employees), and private purchasers (to the extent they choose to participate) to obtain prescription drug price discounts from manufacturers and pharmacies.
- States should pursue both intra- and interstate prescription drug buying pool agreements that can reduce drug benefit costs for health plans and can provide price discounts to all residents who currently pay for their prescription drugs entirely out-of-pocket.
- States should encourage price competition by developing online prescription drug price postings for consumers, based on retail pharmacy information classified by zip code. For prescribers, relative prices within therapeutic categories should be easily accessible through electronic prescribing systems.
- Market access to biosimilars (generic biologics) should be accelerated through an FDA regulatory pathway that would reduce the 12-year market-exclusivity period granted to innovator biologics under the 2010 Patient Protection and Affordable Care Act.
- AARP supports increased transparency in the prescription drug development and pricing process, particularly in cases of drug manufacturers that benefit from taxpayer-funded research.

Based on these principles, AARP offers support for these proposals primarily because of the increased transparency. For many years, the pharmaceutical industry has created a pricing system that is confusing to say the least. One of the basic principles of a competitive market is that consumers have information. With prescription drugs, there are multiple consumers (PBMs, insurance companies, state government, individual consumers), but none of them have sufficient information with which to use to make informed decisions. When you combine the fact that the demand for the product is inelastic – that is, if you need medication to keep you alive, you can't choose not to buy something – the market structure falls apart to benefit only the supplier of the product. One of the most important elements of these proposals, is that

they both address the root cause of the problem that consumers face – the price of the drugs. While there is a temptation to focus solely on the individual consumers' out of pocket costs in terms of co-pays, that only leads to an increase in insurance premiums.

AARP Oregon understands that there will continue to be more discussion about the best way Oregon can address concerns about the rising costs of prescription drugs this year, and probably for years to come. However, we urge the legislature to take some action this session on this issue. Many Oregonians are facing difficult decisions – often life changing – due to the high costs of prescription drugs. We asked some of our 500,000 members in Oregon to share stories with us about how the high cost of prescription drugs has impacted their lives. We received hundreds of responses in a short period of time, and below is a snapshot of some of what they had to say.

There are several key themes we found in their responses:

- 1) Costs are increasing, but their incomes are not.
- 2) Many people go without their medications or cut back as a result of the cost.
- 3) It doesn't matter if they have insurance or not, costs are going up either way.
- 4) Many people have to choose between medications or other needs like food, housing, and utilities.

"I am a diabetic and have to spend more than \$1500 on medical each month. Last year about \$500 and the year before about \$300." –Alan H., Medford

"My son has applied for food stamps to help offset the cost of his insulin. He has slept on the friends sofas, in the floor in the corner of my bedroom, and rotated between relatives in order to pay for insulin and diabetes supplies. As he once told his grandmother, he is the only young man he knows that needs to budget 50-75% of his take home pay just to stay alive - before he figures out how to pay for food, rent, and utilities." –Kimberley B., Beaverton

"I have had to split my pills in half in order to afford them." –Mark W., Corvallis

"I have been given prescriptions that are over \$350 a month which I cannot afford and still be able to live. We are on Medicare and Social Security with a small pension and are barely able to pay our bills." –Susan H., Redmond

"My co-pays used to average around \$250 to \$300. Now well over \$2000 per yr." –Harold L., Cannon Beach

"One prescription drug that is the only medication that works successfully is very expensive and my Medicare part D insurance does not cover it or the generic. Being on a fixed income and paying insurance premiums for years seems unfair that I can't get the medication I need. I pay for my needs to live rather than getting the prescription, in other words I do without." –Anne B., Eugene

"I have had to switch to cheaper, less effective alternatives and discontinue use of some medications due to their expense, resulting in a decrease in my overall health." Mike B., Gates.

"The only prescription drugs I take are QVAR and Proair LFA and thank goodness I don't have to take them all the time. They have at least doubled in price." –Norma N., Medford

"I am a twice breast cancer survivor and as result I have to receive the Prolia shot twice a year in order to keep me from getting osteoporosis due to the tough chemotherapy and radiation treatments I received 5 years ago. I am now cancer free and doing good but have to pay almost \$2,700 per Prolia shot twice a year, that's over \$5,400 for those shots in a year. They are so high priced, too bad they couldn't become more affordable because there are a lot of women out there like me that need them every year." –Paula C., Bend

"My insulin went from \$75 for a 90 day supply to over \$350 and I have 2 types so I'm roughly paying \$700 for insulin for 90 days. This is a big hardship, who has that kind of money? I'm also on 8 other medications and their costs have risen as well. With the high cost of food and having to be on a special diet, I really have a tight budget and sometimes I have to choose what to buy in the choice of prescription or food. No steaks here! (Heck, lucky if I can get ground beef)" – Mary C., Sandy

"I have had to change from newer "designer" drugs that worked better for my condition to the older less effective drugs. One of my drugs is very costly but works really well. I am now ordering this drug from a Canadian Pharmacy at a fraction of the cost I can get it from my US Pharmacy. I base my decisions on medications with my doctor not necessarily on the best drug for my condition but one that is affordable." –Cathy J., Prineville

These are but a few of many responses we received from our members when we asked them how the cost of prescription medications has affected them. On behalf of them, and the over 500,000 AARP members in Oregon, we urge you to support SB 792 and 793.