

March 9, 2017

Senator Laurie Monnes Anderson, Chair
Senate Committee on Health Care
Oregon State Legislature

Re: SB 792 and SB 793

Chair Monnes Anderson and Members of the Committee:

OSPIRG strongly supports SB 792 and 793, two key components of an urgently needed comprehensive approach to empowering patients and containing the rising cost of prescription drugs.

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.

Both of these bills will take important steps to protect and empower consumers, and address the skyrocketing cost of prescription drugs, and we urge you to make these issues a top priority this Legislative Session.

- SB 792

This legislation is a commonsense consumer protection measure that will help provide consumers with information about the cost of medications at the time when most consumers first hear about a drug: When they see or hear an advertisement. The financial burden of paying for drugs can be so severe for some patients that providing price information up front provides a service that is just as needed as providing the kind of information about possible medical side-effects that is already required of drug manufacturers.

OSPIRG and our national federation have long opposed the practice of direct-to-consumer drug advertising altogether. We believe it encourages inappropriate prescribing, undermines the

doctor-patient relationship, takes inappropriate advantage of information asymmetries that disadvantage consumers, and drives up drug costs—and there is little reason to believe that the increased awareness of the availability of new drugs has had a positive impact on patient health.

Rx marketing practices are also extraordinarily expensive; available data suggests that big pharmaceutical corporations routinely spend more on marketing than on research and development.¹ For example, a Consumer Reports study from 2016 found that “Johnson & Johnson and Pfizer spent about 13 percent and 16 percent on R&D, respectively. At the same time, both companies spent about 30 percent of revenue on selling, marketing, and administrative expenses.”² While direct-to-consumer marketing is likely a smaller share of this sum than marketing efforts targeting health care providers, it is not by any means insignificant.

While the state of Oregon is not in a position to ban direct-to-consumer drug marketing altogether, the least we can do is ensure that consumers are provided with all of the information they need to make an informed decision about whether to ask their doctor about a drug—including information about prices.

- SB 793

SB 793 is an urgently needed measure that will treat the disease of skyrocketing prescription drug costs by requiring transparency about pharmaceutical corporation pricing practices and requiring rebates when prices exceed a reasonable rate, as determined through an independent review similar to Oregon’s existing health insurance rate review process.

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.

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

¹ See, e.g., “Stemming the Escalating Cost of Prescription Drugs: A Position Paper of the American College of Physicians,” *Annals of Internal Medicine* 2016;165(1):50-52. Available at <http://annals.org/aim/article/2506848/stemming-escalating-cost-prescription-drugs-position-paper-american-college-physicians?amp;resultClick=3>

² Consumers Union, “Is there a Cure for High Drug Prices?,” available at <http://www.consumerreports.org/drugs/cure-for-high-drug-prices/>

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.

We estimate that Oregon's rate review process has helped cut over \$179 million in waste and unjustified costs from health insurance premiums since 2010,³ while requiring insurers to make public far more detailed information than SB 793 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. SB 793 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 Senate Bills 792 and 793 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

³ See our [in-depth report](#) on the issue from 2013, as well as our follow-up reports from [2014](#) and [2015](#).