

SB 792 STAFF MEASURE SUMMARY

Senate Committee On Health Care

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Meeting Dates: 3/9

WHAT THE MEASURE DOES:

Requires drug manufacturers to advertise the wholesale price for a drug paid by pharmacies in Oregon. Creates a civil penalty of up to \$5,000 for manufacturers that fail to disclose the wholesale price of a prescription drug.

REVENUE: May have revenue impact, but no statement yet issued.

FISCAL: May have fiscal impact, but no statement yet issued.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

BACKGROUND:

Pharmaceutical expenditures in the U.S. are effected by access to and use of utilization of prescription drugs, clinical breakthroughs and introduction of new medications, price negotiation among public and private payers, and a complex set of legal and regulatory policies, among other factors. The increasing cost of prescription drugs has and continues to serve as an important issue for patients, payers, and policy makers. According to an article in the Journal of the American Medical Association (2016), between 2013-2015, spending on prescription drugs increased approximately 20% with government entities paying for approximately 40% of the country's total retail prescription drug costs.

A key element of prescription drug costs in the U.S. are reimbursement methodologies used by public and private payers. These methodologies or metrics serve as policy tools that federal and state governments use to potentially control the increase in drug costs, particularly in Medicaid. There are several key concepts related to reimbursement methodologies. First is the estimated acquisition price (EAC), which is designed to reflect the price that providers and retail pharmacies pay for a drug from a drug manufacturer. The estimated acquisition price is often based on the average wholesale price (AWP) or the wholesale acquisition cost (WAC) for the drug, both of which are published in drug pricing books available commercially. The average manufacture prices (AMP) is yet another metric that takes the average price paid to the manufacturer for the drug by a wholesaler or retail pharmacy. The multiple pricing and reimbursement approaches are two factors that determine how much federal and state governments spend on prescription drugs, annually, and have changed over the past decades.

Senate Bill 792 would require pharmaceutical manufacturers to disclose the wholesale price for individual drugs in all forms of advertising in Oregon.