

February 5, 2018

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

Re: HB 4005

Chair Greenlick and Members of the Committee:

OSPIRG strongly supports HB 4005, an urgently needed measure to create transparency and accountability to help address the rising cost of prescription drugs. 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.

Although HB 4005 by itself is unlikely to be enough to alleviate the burden of skyrocketing drug costs for Oregonians, it represents an urgently needed step in the right direction.

Experts agree that prescription drug prices often have little to no correlation to what the manufacturer spends to research and develop drugs, and that R&D costs are [often overstated](#) by the drug industry. One of the conditions that enables escalating drug prices is a lack of transparency and accountability regarding prescription drug manufacturers' pricing practices.

In this context, we believe that when drug companies are routinely [raising](#) their [prices](#) by 400% or more, the very least Oregon consumers deserve is an explanation. HB 4005 will require pharmaceutical companies to explain where all that money is going, and to give 60-day advance notice to enable consumers and other health care purchasers to plan for big price hikes.

Together, these provisions will create much-needed public accountability for the prescription drug industry, and may help deter some of the most excessive price increases. The information HB 4005 would require from drug manufacturers could also prove invaluable as the state considers strategies to contain drug costs and maintain a sustainable rate of health care cost growth going forward.

Some have argued that the kind of transparency envisioned in HB 4005 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 \$280 million in waste and unjustified costs from health insurance premiums since 2010,¹ while requiring insurers to make public far more detailed information than HB 4005 would require of pharmaceutical corporations. In the face of this level of transparency, 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 4005 represents an important step toward applying those lessons to the market for prescription drugs, though it is only a small step, since the state's rate review program can deny or cut back unjustified premium rate hikes, which goes well beyond the scope of HB 4005.

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 4005 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

¹ See our [in-depth report](#) on the issue from 2013, as well as our most recent [follow-up](#) from 2017.