

Letter in Support of HB 4005

February 5, 2018

Dear Chair Greenlick and Members of the House Health Care Committee:

Kaiser Permanente is pleased to support HB 4005, which will bring much needed transparency and accountability around drug pricing and provide important advanced notice and justification to purchasers about price increases. This bill will inform the public dialogue around high drug prices by shining a light on what is behind ever-rising medication costs.

High-priced drugs and their growing portion of health spending is a crisis in need of immediate attention.

Among the greatest threats to the affordability of health care coverage is the pharmaceutical industry's pricing of new and existing medications. New drugs are being approved and marketed with higher prices than their predecessor treatments, often with no difference in effectiveness or safety. Drugs that have been on the market for years are seeing double digit price increases each year without an explanation. In some cases, drugs that have long been available are going up in price even faster, with triple and quadruple digit price increases.

The portion of Kaiser Permanente's total drug spending in the Northwest Region (outpatient only) attributable to specialty drugs has almost doubled in less than a decade. In 2010 specialty drugs accounted for 0.8% of prescriptions and 31% of total drug spend. By 2017, specialty drugs accounted for 0.7% of our nearly 6 million prescriptions annually but represented 57% of total drug spending. This problem is only going to get worse, with spending on specialty drugs expected to quadruple in just five years. Unchecked, this trend will bankrupt public and private payors alike. Even common drugs that have been around for many years are seeing unexplainable, staggering price increases. Manufacturers raise prices on existing drugs once, twice, or even three times per year – and yet, that new, higher price seldom brings any additional value or clinical benefit. This would never be acceptable in any other industry and is simply unsustainable.

Here are just a few recent examples:

- Humira (rheumatoid arthritis): Price increased 28% since 2016, which represents an additional \$16,000 per patient per year of treatment with no additional benefits in effectiveness or safety.
- Copaxone (multiple sclerosis): increased 1,002% since its approval in 1996 to an annual price of \$91,401 today.
- EpiPen (severe allergic reactions): Price increased 520%, from \$49 to \$304 per pen (more than \$600 for a standard 2-pack).

Hospitals and health plans report pricing information. It's time for pharmaceutical manufacturers to do the same when they implement major price increases.

Because individuals are required to buy health care, and public and private purchasers are required to cover an FDA approved medication when one is available for a patient's condition, there is a compelling public interest for drug manufacturers to be required to provide a rationale as to how they arrived at a particular price. In Oregon, health plans are subject to a rigorous rate review process and are also required to spend a certain amount of every dollar on medical services, as opposed to what goes to administrative costs. Price transparency is quickly becoming the norm in the health care industry in order to contain costs and encourage healthy competition.

Kaiser Permanente is appreciative of the innovation in pharmaceuticals that makes a profoundly better quality of life available to our patients. However, patients will not benefit if a medication is priced out of reach and does not provide additional value from a quality and/or safety perspective or if ultimately these price increases bankrupt the system.

House Bill 4005 is a good first step toward shining a light on manufacturer pricing practices and will also help purchasers and policy makers better understand this large and growing expense.

Sincerely,

A handwritten signature in black ink, appearing to read 'Amy Fauver', with a long horizontal flourish extending to the right.

Amy Fauver
Director, Government & Community Relations