

HB 4005 -2, -4 STAFF MEASURE SUMMARY

House Committee On Health Care

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/5, 2/9

WHAT THE MEASURE DOES:

Establishes a statewide prescription drug cost and price transparency program. Requires prescription drug manufacturers to report specified information regarding qualifying prescription drugs to Department of Consumer and Business Services (DCBS). Requires drug manufacturers report on production, marketing, and research costs; use of consumer assistance programs; and current prices of, or planned price increases for prescription drugs in a given period. Grants DCBS authority to impose civil penalties for drug manufacturers that fail to comply with requirements and establish through rule fees on manufacturers. Requires health insurers with a prescription drug benefit to report specified information to DCBS on qualifying prescription drugs. Requires DCBS to hold a public hearing on prescription drug prices annually. Requires DCBS to report annually to the Legislative Assembly on cost of prescription drugs and recommendations to price increases. Defines terms: manufacturer, prescription drug, and price.

REVENUE: No revenue impact.

FISCAL: Fiscal impact issued.

ISSUES DISCUSSED:

- Rising pharmaceutical prices in the United States
- Pharmaceutical supply and distribution system in the U.S.
- Ability for the bill to reduce rising costs of prescription drugs in Oregon
- Patients' experiences with and impact of rising prescription drug prices
- Use of trade secrets in the pharmaceutical industry

EFFECT OF AMENDMENT:

-2 Modifies information that must be submitted by manufacturers.

REVENUE: No revenue impact.

FISCAL: Fiscal impact issued.

-4 Modifies information that must be submitted by manufacturers. Changes wording related to price increases of prescription drugs from "cumulative" to "net."

REVENUE: No revenue impact.

FISCAL: Fiscal impact issued.

BACKGROUND:

From 2013 to 2015, national spending on prescription drugs increased by approximately 20 percent and accounted for an estimated 17 percent of health care spending (Kesselheim, Avorn, & Sarpatwari, 2016). In general, brand-name drugs make up the largest percentage of drug costs; accounting for 10 to 15 percent of the cost of filled prescriptions, while generic medications make up approximately 85 percent of dispensed medications (Grabowski, Long, and Mortimer, 2013). Specialty medications account for approximately 30 percent of total prescription drug costs in the United States.

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Increases in prescription drug spending and prices, coupled with rising out-of-pocket drug costs, contribute to rising health care costs in the United States. Research indicates several factors impact pharmaceutical costs: drug innovation through research and development, brand-name and generic drug competition, new specialty drugs including rising use of new biologics and biosimilars, patent protections (which provide market exclusivity), complex distribution systems, negotiating power, and federal and state regulations (Kesselheim et al., 2016).

In Oregon from 1991 to 2014, prescription drug spending increased by an average of 7.2 percent annually (Center for Medicare and Medicaid Services (CMS), 2017). In 2014, \$3.5 billion was spent in Oregon on total sales for prescription drugs filled by retail pharmacies (Kaiser Family Foundation). Nationally, CMS projects prescription drug expenditures will increase by six percent annually from 2018-2025. In recent years, states including Oregon have considered or passed legislation related to cost control and transparency of prescription drug costs (California, Maryland, Nevada, New York and Vermont).

House Bill 4005 seeks to increase transparency and control the costs of pharmaceutical drug prices in Oregon.