

HB 2658 B STAFF MEASURE SUMMARY**Carrier:** Sen. Monnes Anderson**Senate Committee On Health Care****Action Date:** 05/22/19**Action:** Do pass with amendments to the A-Eng bill. (Printed B-Eng.)**Vote:** 5-0-0-0**Yeas:** 5 - Beyer, Fagan, Knopp, Linthicum, Monnes Anderson**Fiscal:** Has minimal fiscal impact**Revenue:** No revenue impact**Prepared By:** Brian Nieubuurt, LPRO Analyst**Meeting Dates:** 5/1, 5/15, 5/20, 5/22**WHAT THE MEASURE DOES:**

Requires manufacturers of prescription drugs to report to the Department of Consumer and Business Services (DCBS) the planned increase in the price of a prescription drug at least 60 days before the date of the increase. Specifies that reporting requirement applies to: brand-name drugs for which there was a cumulative increase of 10 percent or more or an increase of \$10,000 or more during the previous 12-month period beginning on or after July 1, 2019; and generic drugs for which there was a cumulative increase of 25 percent or more and an increase of \$300 or more during the previous 12-month period beginning on or after July 1, 2019. Requires report to include: the date the increase will become effective; the current price of the drug; the dollar amount of the planned price increase; a statement of whether the price increase is necessitated by a change or improvement to the drug; and the year the drug became available for sale in the United States. Exempts generic drugs manufactured by four or more companies from required reporting.

ISSUES DISCUSSED:

- Recent incidences of prescription drug price increases
- House Bill 4005 (2018) reporting provisions
- Impact of price increase notice on insurer rates and consumer choice
- Impact of similar laws in California
- Resource impact to DCBS

EFFECT OF AMENDMENT:

Clarifies entities not included in definition of "manufacture." Clarifies required reporting applies to price increases implemented on or after July 1, 2019. Clarifies that exemptions apply to generic drugs manufactured by four or more companies.

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. Increases in prescription drug prices and spending, coupled with rising out-of-pocket drug costs, contribute to the overall increase in 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).

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In Oregon from 1991 to 2014, prescription drug spending increased by an average of 7.2 percent annually (Centers for Medicare and Medicaid Services, 2017). In 2014, \$3.5 billion was spent in Oregon on total sales for prescription drugs filled by retail pharmacies (Kaiser Family Foundation). In 2018, Oregon passed House Bill 4005 creating the Oregon Prescription Drug Price Transparency program in the Department of Consumer and Business Services (DCBS). The program is to provide notice and disclosure of information from manufacturers relating to the cost and pricing of prescription drugs in the state. In January 2019, DCBS proposed a set of rules for the program (OAR 836-200-0500 to 836-200-0560). The law requires drug manufacturers to file annual reports for each drug with a net yearly price increase of 10 percent or more, if the drug costs at least \$100 for a month's supply or for a course of treatment lasting less than one month. Manufacturers' annual price increase reports are due to DCBS by July 1, 2019 for the first year of the program, and by March 15 in subsequent years.

House Bill 2658-B modifies the reporting requirements for drug manufacturers on increases in pharmaceutical drug prices.