

Dear Members of the Rules Committee:

I am a Portland resident and for the past year I have been investigating a major fraud on the Oregon Health Plan involving bad actors in a flawed federal program called 430b Pharmacies. Two of the bad actors I was investigating ended up members of the current Prescription Drug Affordability Board, and the remaining members are all 430b experts. Early hearings of the board this year took in public testimony and lobbying pressure from the Pharmaceutical Research and Manufacturers of America (PhRMA) trade association, and the bad actors in 430b I had identified have undisclosed conflicts of interest with Gilead, Merck, and PhRMA. I do not know anything about the biographies of today's appointment nominations, but I fear there is a pattern of activity whereby PhRMA is packing PDAB with members who will protect the pharmaceutical industry's bottom line against the legislative intent of the board's creation and specifically withhold scrutiny of the 430b program.

Passed in 1991, 430b predated two major changes to the American healthcare system: the creation of Medicare Part D and the passage of the Affordable Care Act. 430b is fundamentally incompatible with those two laws, and it has enabled a nationwide pattern of fraud, waste, abuse, and corruption. Meanwhile, 430b has bloomed into a \$44 Billion dollar industry.

The way 430b works is it allows hospitals and nonprofits operating "Federally Qualified Health Centers" to establish in house pharmacies or contract with external pharmacies which bulk purchase drugs at an average of a 35% discount. The full wholesale price is charged to medicare, medicaid, tricare, or private health insurance, and the nonprofit or hospital pockets the difference. Theoretically this should subsidize care for the uninsured and indigent, but there are no requirements about the use of the discount. As such, the drug profits get cycled into lobbying, executive bonuses, real-estate, and kickbacks.

Three classes of drugs stand out: HIV drugs, Hepatitis C drugs, and Cancer drugs. For example, an annual prescription of the HIV drug Genvoya wholesales at \$34,000/year. Charged to the Oregon Health Plan, A 430b pharmacy pockets \$12,000, while the drug manufacturer Gilead grosses \$22,000, and the Oregon Taxpayer foregoes a Medicaid discount of about \$8000.00. At Portland's Central City Concern, a Gilead-funded "Hepatitis C Eradication Program" generated over 1000 prescriptions for its drugs wholesaling at an average of \$20,000 each mostly to active injecting homeless drug users. 585 were lost to follow up (some because they died due to drug toxicities), and the medical director of that program is a current member of the Prescription Drug Affordability Board. That's \$20 Million dollars of drug sales, generating \$8 Million for Central City to use on lobbying on behalf of its PhRMA funder in the form of "astro-turf" and real estate investments. The money is not used to subsidize healthcare. Meanwhile, the Oregon taxpayer is out \$8Million because it left the potential medicaid rebates on the table.

The profitability of 430b pharmacies alters the standard of care in Qualified health Centers. Studies have found they dispense unnecessary drugs and more expensive drugs. Studies have also found these charity hospitals turn away cancer patients but use them to fill prescriptions. An example might be the recommendation of AIDS service organizations running their in-house pharmacies such as the AIDS Healthcare Foundation to publicly advocate for "early initiation" of HIV Drugs (the practice of dispensing them to asymptomatic HIV positives who do not have AIDS). This obviously sells more drugs, of which AHF gets a cut, but there is no clinical benefit for this. Similarly, the highly respected Cochrane Collaborative has found no clinical benefit for treating Hepatitis C positives with the new "miracle cures" (they are not cures) because they were trialed on an unvalidated surrogate marker.

I wish the Legislature had posted the bios of potential appointees for public scrutiny. Again, I do not know anything about the PDAB nominees, but in the context of the existing board, I urge the Legislature to perform due diligence in reviewing them for potential conflicts.

Thomas J. Busse

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