



aarp.org/or | oraarp@aarp.org | twitter: @aarpor  
facebook.com/AARPOregon

**Senate Committee on Health Care**  
**Testimony from Andrea Meyer, Director of Government Relations**  
**Informational Meeting: Health Care Affordability**  
**January 27, 2021**

On behalf of AARP Oregon's over 503,000 members, thank you for the opportunity to testify today on Prescription Drug Affordability Boards (PDABs). I have been asked to talk about this issue in the context of affordable health care for seniors.

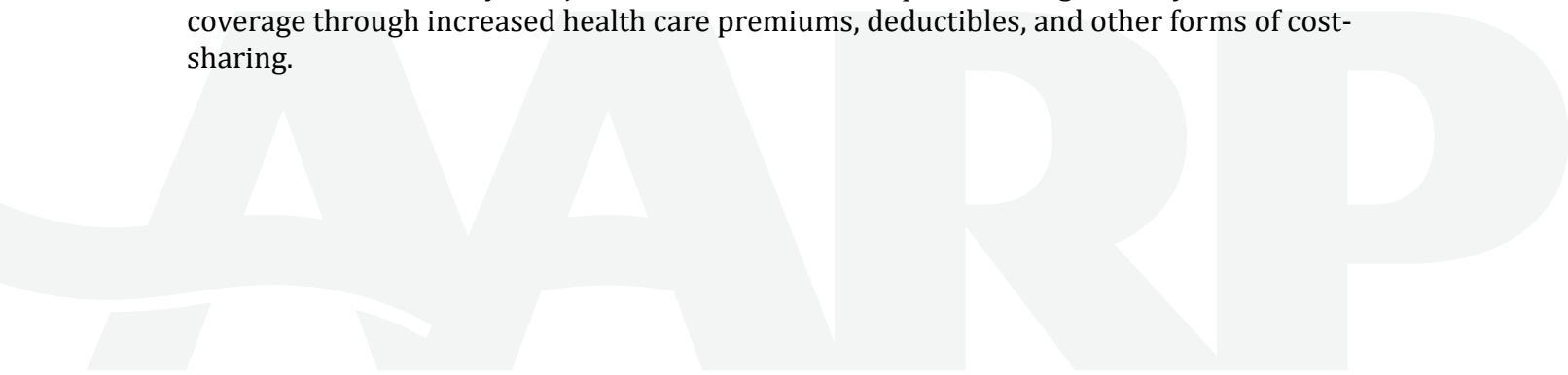
High prescription drug prices hit older Americans particularly hard. On average, Medicare Part D enrollees take more than four prescriptions per month, often for chronic conditions that will require treatment for the rest of their lives. At the same time, Medicare beneficiaries have a median annual income of just over \$26,000. This population simply does not have the resources to absorb rapidly escalating prescription drug prices and many are facing the very real possibility of having to choose between their medication and other basic needs such as food or housing.

AARP is also concerned that the prices that we are seeing now are the tip of the proverbial iceberg. High-priced specialty drug approvals have exceeded traditional drug approvals since 2010 and the number of people using such drugs is growing.

The prices of existing prescription drugs are growing rapidly. AARP Public Policy Institute's recent Rx Price Watch report found that the retail prices for widely used brand name prescription drugs increased at more than double the rate of inflation in 2018. This is not a one-time problem.

Our work also examines how drug companies' relentless price increases add up over time and we found that the average annual cost for widely used brand name prescription drugs – now around \$7,000 – would have been just over \$2,000 if retail price changes had been limited to general inflation between 2006 and 2018.

AARP is also mindful that high and growing prescription drug prices are affecting all Americans in some way, not just seniors. Their cost is passed along to everyone with health coverage through increased health care premiums, deductibles, and other forms of cost-sharing.



So, where does a prescription drug affordability board fit into all of this? Well, at its heart it is simply an outgrowth of Big Pharma's longstanding argument that high drug prices are a reflection of the high costs associated with drug development. More specifically, they say that it costs \$2.6 billion to bring a drug to market. However, that estimate comes from an industry-sponsored group, cannot be verified, and its methodology has faced a number of criticisms.

The reality is that we have no way to know how companies set their launch prices or decide to make subsequent price increases. We also lack a systemic way to evaluate whether drug prices are having a negative impact on patients or payers.

Thus, efforts like prescription drug affordability boards are really just a long overdue attempt to finally shed some light into what has been a very tightly sealed black box. How much are patients and payers really paying for drugs? How much are drug manufacturers spending on things like research and development and how do those costs compare to what the company is spending on marketing and advertising? How much of a drug's development costs are funded by taxpayers? The information gathered will finally help us begin to evaluate the true impact of high prescription drug prices, as well as whether drug prices and subsequent price increases are based on anything more than "what the market will bear."

Even more important, the affordability board will be able to recommend appropriate ways for the state to address prescription drug prices that create affordability challenges for consumers and the state.

This step is crucial given overwhelming evidence that shame alone is not enough to change drug companies' pricing practices. After a thorough review of the evidence, the prescription drug affordability board will be able to develop a plan of action for establishing an upper payment limit.

Current prescription drug price trends are not sustainable. Moreover, it is not fair or right to ask patients and taxpayers to continue spending billions of dollars on prescription drugs that have been priced on the basis of what the market will bear. Thoughtful efforts to help reduce prescription drug prices could save Oregon millions of dollars. More importantly, they will help ensure that all patients, including seniors, have affordable access to the drugs that they need to get and stay healthy.

Thank you for the opportunity to testify. AARP stands ready to help.