



Testimony in Support of SB 404 -1 Amendments

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AARP Oregon supports the majority of SB 404 and the -1 Amendments, with no position on section 3. AARP is the nation's largest nonprofit, nonpartisan organization dedicated to empowering Americans 50 and older to choose how they live as they age. With over 500,000 members in Oregon and more than 38 million nationwide, AARP works to strengthen communities and advocate for what matters most to families.

I thought it would be helpful to start off with a bit of background that will explain why AARP is so interested in this issue. Quite simply, it's the prices. We used to think it was shocking when prescription drugs cost as much as a small car; we now have drugs that cost more than most people's homes.

High prescription drug prices hit older Americans particularly hard. On average, Medicare Part D enrollees take between four and five 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 under \$30,000. One-quarter have less than \$8,500 in savings. 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. Unfortunately, there is no sign that prescription drug prices will become any less outrageous in the future. High-priced specialty drug approvals have exceeded traditional drug approvals for over a decade and the number of people using such drugs is growing.

It's also important to keep in mind that high launch prices are just the beginning; drug prices typically continue to grow even after the drugs enter the market. AARP Public Policy Institute's latest Rx Price Watch report found that the retail prices for 180 widely used specialty prescription drugs increased at more than three-and-a-half times the rate of inflation in 2020.¹ And to be clear—this isn't a one-time problem. The average annual increase in retail prices for the products that we study has exceeded the corresponding rate of inflation every year since at least 2006.

¹ <http://www.aarp.org/rxpricewatch>



Our report also found the average annual cost of therapy for a single specialty prescription drug is now over \$84,000 per year. This average annual cost was almost \$20,000 higher than the median US household income (\$65,712); nearly three times the median income for Medicare beneficiaries (\$29,650); more than four-and-a-half times higher than the average Social Security retirement benefit (\$18,530). It was also 13 times higher than the average annual price of therapy for brand name prescription drugs during the same time period (\$84,442 v. \$6,604, respectively). In other words, we are now facing prescription drug prices that exceed what many people make in a year.

Notably, our analysis also found that the average annual cost for a single specialty prescription drug would have been just under \$40,000, or more than \$45,000 lower, if retail price changes had been limited to general inflation between 2006 and 2020. Oregonians should not have to choose between buying medicine and paying for food and rent but that is the reality faced by too many. In Oregon, the annual cost of prescription drug treatment increased 26.3% between 2015 and 2019, while the annual income for Oregon residents only increased by 14.1%²

AARP is also mindful that high and growing prescription drug prices are affecting all Oregonians in some way. Their cost is passed along to everyone with health coverage through increased health care premiums, deductibles, and other forms of cost-sharing. We have also seen massive increases in prescription drug spending under public programs like Medicare and Medicaid. These escalating costs will eventually affect all of us in the form of higher taxes, cuts to public programs, or both. In other words: every single person hearing or reading this is paying for high prescription drug prices, regardless of whether you are taking medicine yourself.

The Prescription Drug Affordability Board is simply an outgrowth of the big drug companies' longstanding argument that high drug prices are a reflection of the high costs associated with drug development. More specifically, the drug industry claims that it costs \$2.9 billion to bring a drug to market.³ However, that estimate comes from industry-sponsored researchers, cannot be verified, and its methodology has faced a number of criticisms. For example, nearly half of the cost is the hypothetical return on investment that the company would have received if it had invested its funds instead of using them on research and development.

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 PDAB here in Oregon and in other states are really just a long overdue attempt to finally shed some light into what has been a very tightly sealed black box and bring relief to Oregonians. For legislators to help their constituents, we need answers to

² <https://www.arp.org/rxpricewatch> (based on price associated with taking 4.7 widely used brand name prescription drugs; income based on median person-level income).

³ <https://www.sciencedirect.com/science/article/abs/pii/S0167629616000291>

key questions. 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."

There is overwhelming evidence that shame alone is not enough to change drug companies' pricing practices. But now we must go further than simply requiring transparency in Oregon and allow the experts on the PDAB to work with stakeholder advisory groups to establish upper payment limits (UPLs) and recommend other appropriate ways to address prescription drugs that create affordability challenges for consumers and the state. Drug companies will remain free to charge whatever they like—this legislation simply says that the state will not necessarily pay the price that they demand.

We believe these UPLs should be applied to all payors in the state, but even if only applied to government payors, it would reduce drug spending by government considerably. A savings analysis the National Academy of State Health Policy (NASHP) facilitated for Oklahoma showed annual savings of more than \$52 million for just 20 drugs purchased by state employees alone if the state set UPLs based on the prices paid in Canada for these drugs.

The idea of increasing transparency around prescription drug pricing is also very popular with the public: 88% of the 50+ population says that drug companies should have to publicly explain how they price their products.⁴ And as we always like to point out, there are very few things that the public agrees on these days.

Oregon's PDAB can get at the heart of the problem—the prices set by drug manufacturers. While we appreciate that there are always efficiencies to be gained in a system that's worth hundreds of billions of dollars, it's also important to recognize that a great deal of effort has been devoted to diverting attention to other parts of the drug supply chain over the past several years. The reality is that drug companies and drug companies alone are responsible for setting drug prices, and the most effective solutions will reflect that fact.

I'd also like to take a moment to address the elephant that always seems to be in the room when discussing efforts to address high prescription drug prices. Let me be clear—AARP has no interest in solutions that will hamper true innovation. However, research has consistently demonstrated that there is no correlation between drug prices and innovation. In addition, a lot of what we're seeing today could be described innovation in name only, as evidenced by a recent Government Accountability Office (GAO) report that found that novel drugs — innovative products that serve a previously unmet need or help advance patient care — only accounted for about 13 percent of all drug approvals between 2005 and 2016.⁵

⁴ https://www.aarp.org/content/dam/aarp/research/surveys_statistics/health/2019/likely-voters-prescription-drug-survey-fact-sheet.doi.10.26419-2Fres.00295.001.pdf

⁵ <https://www.gao.gov/assets/gao-18-40.pdf>

It's also notable that the public does not accept the drug industry's long-standing threat of reduced innovation: 8 in 10 Americans age 50+ say that drug prices can be lowered without harming innovation, with little variation across political parties.⁶

Current prescription drug price trends are not sustainable or manageable. Drug companies have already raised the prices of nearly 1000 drugs in the past month.⁷ 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 Oregonians millions of dollars. More importantly, they will help ensure that all patients have affordable access to the drugs that they need to get and stay healthy.

We urge this committee to adopt the appropriate amendments and pass SB 404 out of committee to move this important legislation forward.

⁶ <https://www.aarp.org/politics-society/advocacy/info-2021/survey-voters-lower-drug-prices.html>

⁷ <https://www.usatoday.com/story/news/health/2023/01/30/drug-price-increases-2023/11084913002/>