HB 2658 -3 STAFF MEASURE SUMMARY

House Committee On Health Care

Prepared By:	Oliver Droppers, LPRO Analyst
Sub-Referral To:	Joint Committee On Ways and Means
Meeting Dates:	2/19, 4/4

WHAT THE MEASURE DOES:

Defines terms. Requires pharmaceutical manufacturers to report to the Department of Consumer and Business Services (DCBS) at least 60 days before a planned increased of a prescription for which the price is $100 or more for a one-month supply or for a course of treatment, and if there is a cumulative increase of 10 percent in the price of a drug in the past 12 months. Specifies information reported by manufacturers to DCBS.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-3 Modifies the criteria when a drug manufacturer must report an increase in price for brand and generic prescription drugs: (1) a brand-name drug for which there is a cumulative increase of 10 percent or more, ***or*** an increase of $10,000 or more in the price of the drug during the previous 12-month period, (2) a generic drug for which there was a cumulative increase of 25 percent or more, ***or*** an increase of $300 or more in the price of the drug during the previous 12-month period. Specifies that reporting in drug price increases does not apply to an abbreviated new drug application, authorized generic drug, or a drug that entered the market before 1962 and is manufactured by four or more companies.

REVENUE: No revenue impact.
FISCAL: May have fiscal impact, but no statement yet 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.

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 have considered or passed legislation related to cost control and transparency of prescription drug costs. In 2018, Oregon passed House Bill 4005 creating the Oregon Prescription Drug Price Transparency program in the Department of Consumer and Business Services. The program is to provide notice and disclosure of information from

manufacturers relating to the cost and pricing of prescription drugs in the state.

House Bill 2658 seeks to further increase the transparency of pharmaceutical drug prices in Oregon.