

Testimony HB 2696: Informational Hearing

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House Committee on Health Care

Submitted by John Mullin on behalf of AARP Oregon

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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 510,000 members in Oregon, AARP works to strengthen communities and advocate for what matters most to families with a focus on health security, financial stability, and personal fulfillment. An important aspect of our advocacy includes working on ways to provide greater transparency and cost containment for consumers of prescription drugs.

I appreciate the opportunity to testify broadly about the potential for a rate setting process for prescription drugs. Although HB 2696 did not advance this session, AARP will be interested to engage in discussions in the interim regarding ways to advance greater transparency, accountability, and reduced prices for prescription drugs.

AARP has supported a number of prescription drug bills this session, and we continue to advocate for the passage of HB 2658, the 60 day notice bill, and HB 2689, the drug importation bill. These bills, if passed and signed into law, will be a step forward for consumers.

AARP has long been active at the federal level, as well as promoting state innovation with respect to prescription drug legislative concepts. Although there has been some activity with respect to advertising transparency and drug importation on the national front, AARP believes that state action is also necessary to ease the burden of affordability of prescription drugs.

AARP has previously testified that:

- **Drug prices are out of control.** Prices of brand-name prescription drugs increased almost 130 times faster than inflation did in 2015 alone.

- **Advertising drives cost increases.** According to Kantar Media, the drug industry spent \$5.4 billion on ads in 2015. That's a 19 percent increase over 2014 alone.
- **Americans depend on their prescriptions.** A recent AARP survey found that 3 of 4 adults age 50+ regularly take at least one prescription medication, and over 8 in 10 take at least two drugs. More than half of seniors take four or more drugs.
- **High prices put an unfair burden on older Americans.** Data from 2015 shows the average annual cost for one brand name drug used on a chronic basis now exceeds \$5,800. For the average older American taking 4.5 prescription drugs per month, this translates into an average annual cost of therapy of \$26,000. This amount exceeds the median income of \$24,150 for Medicare beneficiaries.
- **High drug prices raise costs for everyone.** High drug costs increase health insurance premiums and cost sharing for all people with health coverage.
- **Taxpayers foot the bill.** Higher prescription drug spending also increases costs for programs such as Medicare and Medicaid; this translates into higher taxes, cuts to public programs or both.

With respect to HB 2696, which would have established a Drug Review Commission, we offer the following general comments, consistent with AARP national policies:

- The creation of an independent body with authority to evaluate drug prices, coupled with rate setting authority would provide an important new mechanism to achieve fair prices.
- The commission would be charged with gathering information on name brand and generic drugs sold in Oregon. If an increase exceeds 10 percent or by more than \$3,000, the commission would conduct an affordability review. Similarly, this authority would apply to a situation where a manufacturer intends to introduce a brand name prescription drug that would cost \$30,000 or more for a course of treatment. In this latter instance, the manufacturer would be required to justify the high cost of this kind of launch. After analysis of this information, the Commission could decide that the cost is excessive and set an appropriate rate that all payers in the state would follow.

It is important to note that this bill is not about regulating the price of a drug set by a manufacturer, but instead establishes an upper limit that payers can pay for a drug in Oregon. Furthermore, this approach would add greater transparency for consumers and an opportunity for engagement of stakeholders. The bill allows for the creation of an advisory committee, and importantly, would include consumer representation.

For all of these stated reasons and factors, AARP Oregon urges additional focus on addressing this urgent health care issue. AARP members here in Oregon have demonstrated that the cost of prescription drugs is top of mind, as evidenced by a successful and well attended Tele-town hall meeting conducted by AARP Oregon last month. More than 7,500 people were on the call. We were pleased to have a vibrant discussion with Sen. Merkley and Rep. Hayden. Participants asked pointed questions and encouraged state and federal action.

In conclusion, we must make further progress on prescription drug affordability, doing our part here in Oregon. HB 2696 offers a creative way forward, and this concept deserves attention in the interim and in the next legislative session.

Thank you for your consideration.