HB 2658 A STAFF MEASURE SUMMARY

Carrier: Rep. Salinas

House Committee On Health Care

Action Date:	04/09/19
Action:	Do pass with amendments and rescind subsequent referral to Ways and Means. (Printed A-Eng.)
Vote:	9-2-0-0
Yeas:	9 - Alonso Leon, Boles, Drazan, Greenlick, Keny-Guyer, Mitchell, Nosse, Prusak, Salinas
Nays:	2 - Hayden, Noble
Fiscal:	Fiscal impact issued
Revenue:	No revenue impact
Prepared By:	Oliver Droppers, LPRO Analyst
Meeting Dates:	2/19, 4/9

WHAT THE MEASURE DOES:

Defines manufacture, manufacturer, and prescription drug. Requires pharmaceutical manufacturers to report to the Department of Consumer and Business Services (DCBS) at least 60 days before a planned increase of 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 during the previous 12-month period, and (2) a generic drug for which there was a cumulative increase of 25 percent or more, and an increase of $300 or more in the price during the previous 12-month period. Specifies that reporting requirements do 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. Specifies information to be reported by manufacturers to DCBS must include: the current price of the prescription drug; dollar amount of the planned increase in the price; whether the increase is due to a change or improvement in the prescription drug, and if yes, a description of the change or improvement; and the year the drug became available for sale in the United States.

ISSUES DISCUSSED:

- Costs of prescription drugs in the U.S. compared to other industrialized countries
- Transparency of prescription drug prices through the supply chain
- Increases in prices for prescription drugs; consumers rationing medication
- Ability for the Department of Consumer and Business Services to collect and report data on generic and brand-name drugs
- Reporting requirements for manufacturers established by House Bill 4005 (2018) and changes proposed by the measure

EFFECT OF AMENDMENT:

Modifies the criteria when a drug manufacturer must report an increase in price for brand and generic prescription drugs.

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.

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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 (Centers for Medicare and Medicaid Services, 2017). In 2014, $3.5 billion was spent in Oregon on total sales for prescription drugs filled by retail pharmacies (Kaiser Family Foundation). In 2018, Oregon passed House Bill 4005 creating the Oregon Prescription Drug Price Transparency program in the Department of Consumer and Business Services (DCBS). The program is to provide notice and disclosure of information from manufacturers relating to the cost and pricing of prescription drugs in the state. In January 2019, DCBS proposed a set of rules for the program (OAR 836-200-0500 to 836-200-0560). The law requires drug manufacturers to file annual reports for each drug with a net yearly price increase of 10 percent or more, if the drug costs at least $100 for a month's supply or for a course of treatment lasting less than one month. Manufacturers' annual price increase reports are due to DCBS by July 1 for the first year of the program in 2019, and by March 15 in subsequent years.

House Bill 2658-A modifies the reporting requirements for drug manufacturers on increases in pharmaceutical drug prices.