

Requested Legislative Testimony

February 20, 2023

Oregon Health Authority’s Sustainable Health Care Cost Growth Target Program and Prescription Drug Costs

Introduction

Americans pay more than two and half times more for prescriptions than other countries.¹ In 2021, the U.S. spent over \$600 billion on prescription drugs, excluding rebates. Between 2016 and 2021 in the U.S., the cost of specialty drugs, which account for half of all drug spending, increased 43 percent.²

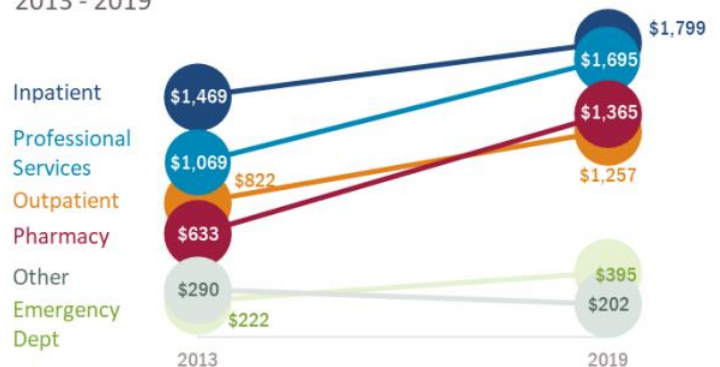
The following testimony from the Oregon Health Authority’s Health Care Cost Growth Target Program provides key findings and data trends about prescription costs in Oregon as well as information about how the Advisory Committee to the Sustainable Health Care Cost Growth Target Program will focus on prescription drug costs.

Retail Drug Cost Trends in Oregon

The Sustainable Health Care Cost Growth Target Program published a report titled [Health Care Cost Trends: State and Market-Level Cost Growth in Oregon, 2013-2019](#), which provides a detailed look at different types of health care spending, including spending on retail drugs.³ The report includes the following findings:

- Pharmacy cost growth was one of the largest contributors to overall health

Per person health care costs by service category, 2013 - 2019



1. Mulcahy, A.W., Whaley, C., Tebeka, M.G., Schwam, D., Edenfield, N., and Becerra-Ornelas, A.U. “International Prescription Drug Price Comparisons: Current Empirical Estimates and Comparisons with Previous Studies,” RAND Research Report RR-2956-ASPEC, 2021. Available at: <https://aspe.hhs.gov/sites/default/files/documents/ca08ebf0d93dbc0faf270f35bbecf28b/international-prescription-drug-price-comparisons.pdf>

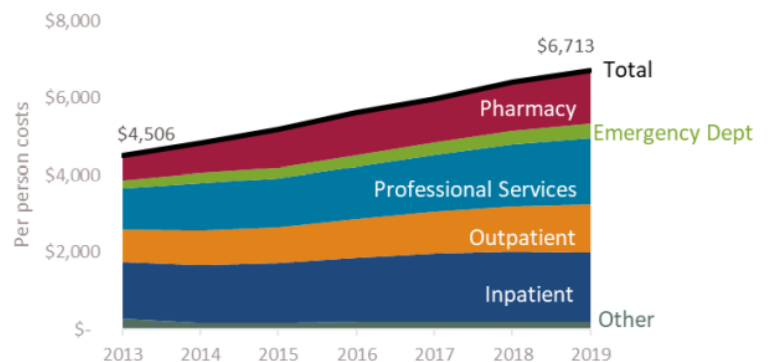
2 Parasrampur, S. and Murphy, S. Trends in Prescription Drug Spending, 2016-2021. Washington, DC: Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services. September 2022. <https://aspe.hhs.gov/sites/default/files/documents/88c547c976e915fc31fe2c6903ac0bc9/sdp-trends-prescription-drug-spending.pdf>

3 <https://www.oregon.gov/oha/HPA/HP/Cost%20Growth%20Target%20documents/Oregon-Health-Care-Cost-Trends-Report-2013-2019-FINAL.pdf>

care cost growth in Oregon from 2013 to 2019.

- The costs of retail drugs, which are prescriptions obtained at a pharmacy, drug store or other location, **grew faster than any other service category** (e.g., inpatient services, outpatient services, professional services, and emergency department cost growth) from 2013 to 2019.
- Retail drug costs increased an average of nearly **14 percent per year** between 2013 and 2019. For reference, the cost growth target is **3.4 percent per year**.
- If translated to a per person cost growth amount, the **per person per year** costs of retail drugs between 2013 and 2019 increased:
 - **12.4 percent** for those with commercial health insurance
 - **20.2 percent** for those with Medicare Advantage coverage⁴
- In Oregon, for every dollar spent on health care in 2019, **twenty cents** were spent on retail drugs. Note: the analysis in this report does not take pharmacy rebates into account.

Pharmacy and Emergency Dept costs grew the most between 2013 and 2019



Advisory Committee to Oregon’s Sustainable Health Care Cost Growth Target Program

- The Cost Growth Target Program’s Advisory Committee continues to discuss prescription drug costs and is considering potential strategies and policies to address prescription drug spending. The Advisory Committee intends to recommend at least one strategy by the end of this year.
- In their January 18th meeting the Advisory Committee voted to endorse the Prescription Drug Affordability Board’s initial set of recommendations
- Future reports from Oregon’s Sustainable Health Care Cost Growth Target Program will include prescription drug cost trends net of rebates at both statewide and market-levels (e.g., commercial market, Medicaid, and Medicare Advantage).

⁴ Per person per year cost data of prescription drugs does not include rebate information