

Prescription Drug Price Transparency

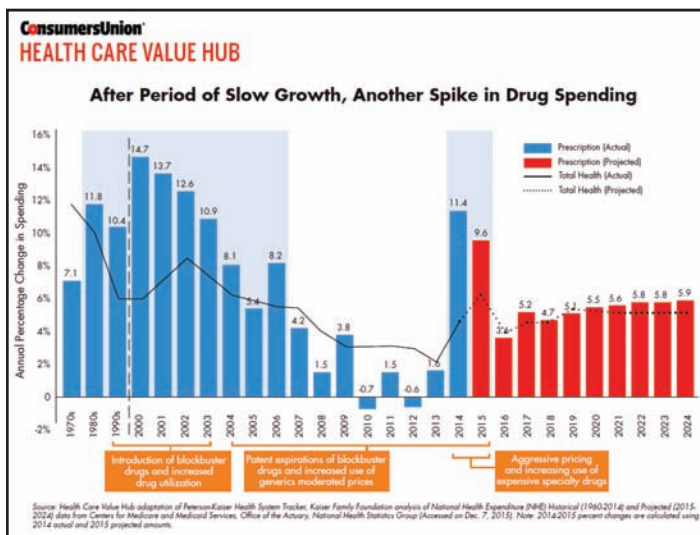

Disclosure will help state manage costs

Washington state needs to allocate resources to meet the needs of its people, but rising prescription drug costs needlessly burden the state budget. The Health Care Authority (HCA) is responsible for the majority of state spending on prescription drugs and spent \$1.2 billion on state drug purchasing in 2015. Between 2013 and 2015, **Washington State HCA's prescription drug spending increased by 45%.**¹ The Public Employees Benefits Board and Medicaid both experienced a 14% increase in calendar year 2015 over calendar year 2014. And as HCA prepares to increase its spending by \$242 million to accommodate a 2016 Hepatitis C coverage mandate from a federal judge,² it is clear Washington state's challenges with prescription drug spending are on the rise. Prescription drug price increases are part of the problem.

Drug corporations set a list price (Wholesale Acquisition Cost) that is the starting point for negotiations with "middlemen" across the prescription drug supply chain. High list prices drive profits for pharmaceutical corporations. A Credit Suisse review showed that in 2014, **among the top 20 global drug corporations, price increases in the U.S. account for 80% of increases in net profit.**³

In 2016, unregulated prescription drug pricing prompted Washington to join 19 states in a price-fixing lawsuit against pharmaceutical corporations. The lawsuit asserts pharmaceutical corporations dramatically raised the price for two generic drugs, limiting competition.⁴

Washington state has an opportunity to take a next step by bringing much-needed transparency to prescription pricing.

Select Prescription Price Increases (2010-14)

168%	Lantus (Biogen) Diabetes
105%	Premarin (Pfizer) Menopausal Symptoms
103%	Humalog (Eli Lilly) Diabetes
102%	Copaxone (Teva) Multiple Sclerosis
101%	Gleevec (Novartis) Cancer
95%	Lyrica (Pfizer) Pain
93%	Avonex (Biogen) Multiple Sclerosis
92%	Zetia (Merck & Co.) High Cholesterol
91%	Humira (Abbvie) Arthritis
90%	Celebrex (Pfizer) Arthritis

Price Increases

Drug corporations' price increases have inspired public uproar. Examples include Valeant's heart drugs Nitropress (525% increase) and Isuprel (212% increase).

More recently, CEO Martin Shkrel'i's company, Turing, raised prices for one pill from \$13.50 to \$750 (an over 5,000% increase). These are the more egregious examples of a widespread problem.

Source: Langreth, Keller and Cannon. "Decoding Big Pharma's Secret Drug Pricing Practices," 6-29-16

The Problem

The true costs of prescription drugs are largely hidden and hard to understand. It is important to understand what drives prescription drug prices so lawmakers can address the root causes of rising healthcare costs.

The Solution

- ▶ Drug corporations justify prices when they dramatically increase the price for a prescription drug.
- ▶ Health plan purchasers report how drug spending contributes to overall healthcare spending and premiums.
- ▶ An annual report be submitted to the Legislature summarizing these data on the highest-price prescription drugs and their impact on healthcare spending.

1. Health Care Authority. "Review of Prescription Drug Costs and Summary of Potential Purchasing Strategies," 11-15-16
 2. researchcouncil.org/2016/06/02/state-must-pay-for-hepatitis-c-drugs-regardless-of-budget-impact
 3. Langreth, Keller and Cannon. "Decoding Big Pharma's Secret Drug Pricing Practices," 6-29-16
 4. Danielle Leigh, "Six drug makers accused of illegal price-fixing scheme," King 5, Dec. 2016: www.king5.com/news/investigations/side-effects/six-drug-makers-accused-of-illegal-price-fixing-scheme/375490036