



Prescription drug costs are rising at an alarming rate with no accountability from the pharmaceutical industry for prices that show very little relation to research and development (R&D) spending or the cost of production. Six-figure price tags on new specialty drugs and thousand-percent increases on decades-old brand name and generic medications run counter to years of reforms California and the nation have implemented to achieve long-term affordability and accessibility in our health care system. It's time for policymakers to start getting answers and require greater transparency.

Prices Skyrocket on Old and New Drugs



FDA CANCER DRUG APPROVALS



Rx Pricing Black Box

The Affordable Care Act brought greater transparency to every other sector of the health care industry except one. Prescription drugs account for nearly 20 percent of health spending yet little information is available on how drugs are priced. While doctors, hospitals, and health plans disclose financial information and price transparency, the pharmaceutical industry remains shrouded in darkness.



- ▶ 80-85% of premiums must be spent on medical care.
- ▶ Health plan rates are reviewed by regulators.
- ▶ Health plans post financial statements and actuarially certified rate justifications.



- ▶ Centers for Medicare & Medicaid Services publish Medicare doctor & hospital payment information.
- ▶ Hospitals in California provide information on pricing for common surgeries.



- ▶ Drug companies are not required – and they choose not – to share even the most basic information on how prices are set.
- ▶ Drug companies set their prices based on what they think the market will bear and what shareholders expect.



In order to deliver on the promise of affordable health care, **WE NEED TO PEEL BACK THE LAYERS** on how prescription drugs are priced.

"We have seen national reports of spikes in drug pricing and the impacts on CalPERS and Medi-Cal right here in California. These costs are not sustainable for public employees, taxpayer-funded health programs, large employers, or any health care consumer. It's time we shine a light on how drug prices are set, so we can find solutions that make prescription drugs more affordable while protecting access for patients."

CHARLES BACCHI

President & CEO
California Association of Health Plans

"We've all seen skyrocketing prices for specialty drugs without knowing why. They're contributing to the overall cost of health care, threatening the long-term success of the ACA and they're putting enormous pressure on state budgets... I think it's very appropriate to have a conversation about how these drugs are priced."

DAVID CHIU (D - San Francisco), California State Assemblymember

Rx Transparency Matters

Transparency is an important step in developing policies to address runaway drug spending. No one benefits from the drug pricing mystery except the drug companies themselves.

With nationwide attention on skyrocketing prices, California lawmakers have the opportunity to make meaningful change by creating access to much-needed information about drug costs.

AB463 Would Open Up the Rx Pricing Black Box

AB 463 (Chui) calls for select information about the most expensive drugs – those priced at \$10,000 or more – and the real costs for medications and treatments.

A simple level of transparency is needed so that we can make informed decisions on affordable health care and accessibility, including:

- ▶ **Research & development**
- ▶ **Marketing & advertising**
- ▶ **Federal funding and other subsidies**
- ▶ **Production and manufacturing**
- ▶ **Net profit attributable to the drug**
- ▶ **History of Average Wholesale Price & Wholesale Acquisition Cost**

AB 463



Does not regulate drug pricing



Does not require disclosure of negotiated prices between manufacturers and payers



Does not require information that would inhibit competition or innovation



IT'S TIME

for pharmaceutical companies to stop being an outlier in the nationwide conversation to reduce health care costs and for prescription drugs to stop running away with taxpayer pocketbooks.

CAHP's RunawayRx campaign highlights the trend of rising prescription drug prices to provide Californians with a full picture of the state of health care costs and to encourage a path toward more sustainable and affordable pricing.

For more information, please go to www.calhealthplans.org or www.runawayrx.org.