



Statement before the House Insurance Committee

**Committee Hearing on HB 161  
Pharmaceutical Cost Transparency**

Presented by:

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Good morning Chairwoman Pickett, Chairman DeLuca and Honorable Members of the House Insurance Committee. Thank you for the opportunity to be here today to speak about this important issue.

Pharmaceutical costs are rising out of control, and rising faster than any other costs in our health care system. National prescription drug spending is projected to have grown by 8.1% in 2015, after rising over 12% in 2014<sup>1</sup>. But that will not be the end; prescription drug prices are projected to continue to grow year over year for the foreseeable future. And, they are growing at a rate faster than any other area of health care spending. In a nation with the highest health care costs in the world, where health care spending is expected to exceed 20% of GDP<sup>2</sup> within the next decade, and where the average per capita health care spending of \$9,990<sup>3</sup> in 2015 was over 17% of the median household income of American families<sup>4</sup>, this trend cannot continue and must be moderated.

I applaud the Committee's efforts to start a dialogue on pharmaceutical costs and what can be done to reduce them and make them more transparent. As you know, last year I approved significant health insurance rate increases for the individual market, and I worry that many Pennsylvanians will struggle to afford this coverage. Yet, the rate increases were justified based on the cost of covering this population and insurance companies report the rising cost of pharmaceutical drugs is one of the major driving factors of these increases. In fact, in the individual market, pharmaceutical drugs rose from 13.6% of per enrollee health care claims in 2014 to 21.4% in 2015. That is a 57% increase in one year. Per enrollee pharmaceutical costs for plans sold to our small employers and their employees rose 33% over the same period. If we want to make health insurance more affordable, we need to make the care health insurance pays for more affordable, and prescription drugs are a huge part of that.

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<sup>1</sup> *National Health Expenditure Projections 2015-2025 – Forecast Summary*. Centers for Medicare & Medicaid Services.

<sup>2</sup> *Ibid.*

<sup>3</sup> *National Health Expenditures 2015 Highlights*. Centers for Medicare & Medicaid Services.

<sup>4</sup> *American Community Survey Briefs – Household Income: 2015*. United States Census Bureau. 2016.



House Bill 161 would require a prescription drug manufacturer to disclose to the Insurance Department the costs of production for drugs with average wholesale prices greater than \$5,000 annually or throughout the course of treatment. It would also require this disclosure for drugs with wholesale prices that have increased rapidly within the parameters included in the bill. The information to be disclosed would include costs related to research and development, clinical trials, materials, marketing, and financial incentives.

At present, the Insurance Department has no direct regulatory authority over prescription drug costs, but we do have some authority over how insurance companies cover prescription drugs. For example, certain drugs or categories of drugs are required to be covered as part of the federally-approved essential health benefit package. The Department also has the authority to assure that the availability of drugs by plan or by tier within a plan is not discriminatory. We look at whether insurance companies are complying with these requirements when we review policy forms, and also through our consumer complaint and market conduct processes as needed. So, while there is some authority within our Department to ensure drugs consumers need are covered and covered fairly, there is currently no mechanism that begins to look at the issue of cost. This legislation would be an important first step in that direction.

I am a big believer in transparency, and I think getting the information we need to understand a complex problem like this one is the first step. I have supported increasing transparency initiatives across the board at the Department and would be happy to work with you on these initiatives or any others that will help tackle these unsustainable cost increases.

I don't think there is a silver bullet for addressing the costs of prescription drugs, as in any other aspect of our health care system. And, unfortunately, many of the issues with the pharmaceutical industry can only be dealt with at the Federal level. But, I think there are things we can do and I have been pleased to see the introduction of this legislation that would bring transparency to drug pricing in the Commonwealth. We look forward to continuing to work with Members and staff on the specifics of the legislation so that we can ensure the outcome is in the best interest of consumers.