California healthcare bill aims to increase transparency drug pricing

The pharmaceutical industry is lobbying zealously against the passage of a California healthcare bill that aims to increase transparency in drug pricing.

The bill, "Health care: prescription drug costs" (SB 1010), is at the center of a long-lasting controversy over the soaring costs drugs in California and the subsequent impacts on the state budget and the healthcare system as a whole.

Increasing transparency

Introduced by Senator Ed Hernandez (D-West Covina), the law would force drugmakers to provide justification for the prices expensive drugs and to give advance notice of price hikes greater than 10% during a 12-month period. Insurance companies would have to report their prescription drug expenses. Other states are working to pass similar legislation, going even farther including a requirement that drug companies disclose their R&D costs (drug companies frequently cite R&D costs as the reas high drug prices).

One of the goals of the legislation is to give government a more informed understanding of how health care dollars are being and the way drug costs influence insurance premiums. "Drugs priced in excess of $10,000 are becoming common-place with transparency for these astronomical price tags," wrote a California State Senate staffer in a report about SB 1010. "This high-priced trend is a costly burden for patients, state programs, employers and other payers, making it crucial that we unders what's behind the exploding prices.

"SB 1010 will bring prescription drugs in line with the rest of the health care sector by shedding light on those drugs that are h the greatest impact on our health care dollar," the report continues. "This change is absolutely necessary in an environment w more than 900 drugs are sporting price-tags at or above $10,000 and new drugs with record-breaking prices are being releas

Support and opposition

Supporters of the bill include the California Labor Federation (which is made up of more than 1200 unions), the health insura industry, and consumer advocacy groups like Health Access California.

But stakeholders in the pharmaceutical industry – Pharmaceutical Research and Manufacturers of America, Generic Pharmaceutical Association, and California Life Sciences Association (a trade group for biotech and drug companies) – are adamantly opposed. Senator Hernandez, the bill's author, equates the fierce lobbying against the bill to the lobbying done by tobacco industry back when tobacco regulations were first being implemented.

Recently, after extensive lobbying and an ad campaign by California Life Sciences Association (CLSA), some groups represe

seniors or patients with chronic diseases have expressed opposition. The online ad campaign argues that the provision in the that requires advance notice of price hikes could cause large pharmacies to hoard medications, resulting in shortages in underprivileged or rural areas.

Opponents advocating for the chronically ill population also fear that the legislation could reduce the financial incentive for dru companies to develop novel therapies and cures for diseases. With the Obama administration's emphasis on precision medic and medical innovation, now would be an unfortunate time to stifle innovation.

The Cystic Fibrosis Foundation (CFF), for example, relies on drug companies to pioneer novel therapies for patients with cyst fibrosis (CF), a life-threatening chronic disease that primarily affects the lungs and pancreas. Vertex Pharmaceuticals has bee working toward a cure for years; in 2012, the FDA approved ivacaftor (Kalydeco), a revolutionary drug that was the first to trea underlying cause of cystic fibrosis. The drug has added years to many patients' lives, but it comes with a hefty price tag of abo $300,000 a year. Vertex claims the high price is warranted by years of research and development, plus the tiny market for the (about 1,200 patients in the United States). Some patients question whether drugmakers will continue their quest to find a cur doing so is no longer profitable.

Yet America's Health Insurance Plans (AHIP), the trade group for insurers, argued that exorbitant prices cannot continue to b incentive for medical innovation. "Pharmaceutical advances have brought about life-saving medications that have revolutioniz the treatment of certain diseases," AHIP wrote in a letter. "Yet, the rising prices of prescription drugs threaten the long-term sustainability of pharmaceutical innovation and patient access to the medications they need."

Leading the way

California is a pioneer, its legislation often setting examples that other states readily follow. Supporters of the bill hope that California leads the way for nationwide reforms in drug pricing policy.

There will be a hearing on the bill on June 28, 2016. In the context of America's heated debate about health care spending, th could be one piece in the nationwide puzzle of making healthcare affordable for patients and government.

For more information/questions regarding any legal matters, please email info@nelsonhardiman.com or call 310.203.2800.