

Prescription Drug Transparency Bill Sails Through Latest Test in California Legislature



California is not the only state searching for ways to manage the seemingly never-ending increase of prescription drug costs, but it recently made news when a [proposal](#) that would require pricing accountability of drug companies gained more ground toward becoming law.

Senator Ed Hernandez (D-West Covina) authored the controversial measure. It would require drug manufacturers to furnish state agencies and health insurers with advance notice about new meds with pricetags of more than \$10,000 for a year's worth of treatment. And more than just provide a warning about a hefty invoice up ahead, drug companies would have to provide justification for the figures. Additionally, the bill stipulates that pharmaceutical companies give state officials advance notice of a planned price hike over a certain predetermined threshold. The bill also includes a stipulation that health insurers report their prescription drug expenditures.

The Senate approved the bill in June, and last week it met with further approval in the state's Assembly Appropriations Committee. Later this month, the Assembly as a whole will debate the proposal.

Does the bill allow for useful transparency, or does it vilify big pharma?

"The public is tired of drug cost increases year after year, often with no warning and no apparent reason," Hernandez said. "Look no further than the broad coalition supporting this bill to see that consumers are pleading for more information."

Perhaps unsurprisingly, representatives of the pharmaceutical industry are squarely against the measure, warning that it isn't the expense-panacea it's being touted as. Those opposing the bill point out that it puts the onus of pricing responsibility on the companies that produce the drugs, thereby overlooking additional contributors, such as pharmaceutical distributors, wholesalers, other purchasers, and health plans. Drug companies also warn that adopting the bill could result in medication shortages down the road.

Still, supporters of the bill are not in short supply: patient groups, labor groups, healthcare providers, health insurers, and certain business and professional organizations. Hernandez calls the measure a "common sense approach" to the issue of high healthcare costs. Proponents note that equipping health insurers and state purchasers (such as Medi-cal and the California Public Retirement System) with drug pricing information a minimum of 30 days ahead of time gives them negotiation power, which in turn makes cost control more likely.

A humble, ordinary drug gets dressed up...with a shiny new pricetag

Estimates place prescription drug spending at roughly ten percent of all healthcare expenditures. The steady—and



sometimes soaring—climb of medication costs is not a new phenomenon, but it was vividly illustrated in 2015 when a modest little pill skyrocketed into the big leagues in its new position on the cost spectrum, while undergoing no other change. Turing Pharmaceuticals purchased Daraprim, a medication that's been around for more than 60 years and is used to combat infections in immune-compromised patients. Before Turing turned its attention on the drug, it sold for about \$13 per pill. After the purchase, it jumped more than 5000%, to \$750 for one pill.

Including California, there are around a dozen states exploring proposals that would demand drug companies exhibit greater price transparency, some suggesting requirements more stringent than what California's bill outlines. For instance, [Vermont passed a law](#) earlier this summer that requires companies to justify cost hikes for meds that have a substantial effect on the state's budget. Some states are stipulating that pharmaceutical companies disclose their research and development expenditures, not just the bottom line retail price of a market-ready drug.

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