

AB 2436 (Hernández): Consumers Deserve Transparency in Drug Prices

Give Patients Information on Drug Costs; Comparison Prices in Other Countries

The soaring cost of prescription drugs is a growing concern to patients in California and across the United States. Drug prices in this country are far higher than in Europe or in neighboring countries of Canada and Mexico.

Prescription drugs are the health service most commonly used by consumers. While patients may go to the doctor once or twice a year and the hospital even less frequently, many consumers rely daily on prescription medication to keep them alive and healthy.

Patients must renew their prescriptions monthly and pay a copay or co-insurance for each drug purchase. Consumers are often unaware of how much they will be charged for their medications and do not get this information until they are at the pharmacy or point-of-sale. Consumers deserve to know how much their medications will cost them, how much their insurance will pay, and be able to compare this to the price for the same drug in other countries.

Sponsored by Health Access, [AB 2436](#) (R. Hernández) would require health plans and insurers to provide consumers with information about the cost of their prescription drugs, specifically the cost to the patient through their co-pay, co-insurance or other cost-sharing; the amount paid by the health plan or insurer for the prescription drug and; the cost of the drug in Canada, Germany and Mexico, three countries that have various approaches to drug pricing compared to the United States.

Rising Drug Prices

As health insurance premiums have tripled in California in the last decade, deductibles and copays have also soared. Out-of-pocket costs for prescription drugs for the average employee in California has increased, particularly for non-preferred drugs and specialty drugs¹.

Patients in the United States pay more for their prescription drugs than patients in other wealthy countries, such as Canada and the European Union, as well as countries with emerging markets like Brazil, Egypt, and Mexico. The reasons for this price discrepancy varies by pharmaceutical manufacturer. Each pharmaceutical company uses different variables to price their drugs, such as the per capita income in each country and how much consumers are willing to pay in those countries. Additionally, other countries have national health systems that negotiate drug prices and enforce price controls. Many pharmaceutical manufacturers acknowledge that the same prescription drugs cost less in other countries.

In the United States, consumers rely on commercial health plans and insurers to negotiate with pharmaceutical companies. If the health plans and insurers do not negotiate a good price, everyone pays more: the consumer, the employer and the State of California.

The growing prices of prescriptions drugs have profound effects on consumers, who are looking to the government for solutions. A national poll from April 2015 found that consumers rate high costs

¹ California Health Care Foundation, April 2015, California Employer Health Benefits: Rising Costs, Shrinking Coverage, <http://www.chcf.org/publications/2015/04/employer-health-benefits>

for specialty drugs as the top priority in health care (75%) and government action to reduce prescription drug prices as the second highest priority (61%).²

Proposed Legislation: Consumers Need to Know

Consumers, and other purchasers of coverage, rely on health plans and insurers to negotiate for cost-effective prescription drug prices and patients should clearly understand how their drug costs are being calculated.

AB 2436 (R. Hernández) would require health plans and insurers to provide consumers with information about the cost of their prescription drugs, such as:

- The co-pay, co-insurance or other cost-sharing the consumer must pay;
- The amount paid by the health plan or insurer for the prescription drug;
- The cost of the drug in Canada, Germany and Mexico, three countries with very different approaches to drug pricing.

With rising drug prices in California and across the United States, increasing transparency about the cost of prescription drugs, especially compared to other countries, may help reverse the trend of the soaring price of critical medications on which millions of Californians rely.

For more information about this legislation, please contact Tam Ma, Health Access California, at tma@health-access.org or 916-497-0923 x. 201.



² Wall Street Journal, blog, 9/8/2015, <http://blogs.wsj.com/washwire/2015/09/08/why-higher-drug-costs-are-consumers-biggest-cost-worry/tab/print/>.