

## FACT SHEET

### SB 17 (Hernandez): Prescription Drug Price Transparency

SB 17 (Hernandez), co-sponsored by Health Access California and the California Labor Federation, will increase transparency in prescription drug pricing. As introduced, the measure includes legislative findings about rising prescription drug costs and a statement of legislative intent to increase transparency so purchasers like CalPERS and Medi-Cal as well as health plans and insurers can have the information they need to manage prescription drug costs.

#### Drug Companies Can Charge Whatever They Want

The cost of prescription drugs continues to skyrocket without any justification from pharmaceutical manufacturers. Consumers are facing price increases on everything from longtime generics used to treat common conditions such as [diabetes](#), [high blood pressure](#), and [high cholesterol](#) to new treatments for diseases such as hepatitis C. Pharmaceutical companies can increase prices whenever they want, however much they want, while consumers and purchasers have no way to know what is driving these costs and how to manage them.

#### Escalating Drug Prices Affect Consumers' Health and Their Pocketbooks

Consumers end up paying more when drug prices go up, in the form of higher out of pocket costs (copays, deductibles, coinsurance) as well as higher insurance premiums. When people are hit with higher drug costs, they are also more likely to skip doctor appointments, tests, or procedures, or not fill their prescriptions or take them as directed.<sup>1</sup>

#### Consumers Want Action on Drug Pricing

A 2016 Kaiser Health Foundation tracking poll found that 77% of Americans say prescription drug costs are unreasonable; 86% of Americans favor requiring drug companies to release information to the public on how they set drug prices; and 78% support limiting the amount drug companies can charge for high cost drugs for illnesses like cancer or hepatitis<sup>2</sup>.

SB 17 will shine a light on prescription drug prices by giving purchasers, both public and private, the opportunity to adjust formularies, negotiate rebates and discounts, and take other steps to manage drug costs. SB 17 builds on the work of last year's SB 1010, which sought to make sure drug companies played by the same rules as everyone else in the health care industry in terms of cost transparency and advance notice. SB 1010 was pulled by the author after substantial amendments were imposed that would have undermined the intent of the bill.

For more information about SB 17 (Hernandez), contact:

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<sup>1</sup> Consumer Reports Best Buy Drugs National Poll, March 2016. <http://www.consumerreports.org/drugs/as-drug-prices-increase-quality-of-life-goes-down/>

<sup>2</sup> Kaiser Health Tracking Poll. September 29<sup>th</sup>, 2016.

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### SB 17 (Hernandez) Legislative Findings about Prescription Drug Prices

Among the findings cited in SB 17 (as introduced December 5, 2016) are:

- Health care spending in the United States is twice the level of health care spending in other developed countries while life expectancy is often less.<sup>3</sup>
- Individual consumers, employers, taxpayers and other purchasers of health care services and coverage pay for this high health care spending.
- Total prescription drug costs in the United States exceeded \$450 billion, or 16.7 percent of personal health care spending in 2015, up from \$367 billion or 15.4% of personal health care spending in 2012<sup>4</sup>.
- For persons under age 65, the cost of outpatient prescription drug spending amounts to 19% of the premium dollar, and that the 19% spent on outpatient drugs does not include drugs administered by a health professional such as chemotherapy or in a hospital or other health facility. Specialty drug spending rose 30.9% between 2013 and 2014<sup>5</sup>. Cancer drug prices doubled within the last decade, from an average of \$5,000 per month to an average of \$10,000 per month<sup>6</sup>.
- The federal government found that 75% of the increase in Medicaid spending on prescription drugs between 2013 and 2014 was due to increases in price<sup>7</sup>. Many prescription drugs had increases in unit prices, including Ativan which increased 1,264 percent between 2014 and 2015 and five other drugs that had unit cost increases of more than 300% between 2014 and 2015<sup>8</sup> while from the fourth quarter of 2013 to the second quarter of 2016, Epi-Pen prices increased 15% every other quarter so that the price had increased 548% since 2007<sup>9</sup>. Of the 20 drugs with the highest per unit cost increases in Medicaid, nine were generic drugs and those products had increases in price ranging from 140 percent to nearly 500 percent between 2014 and 2015<sup>10</sup>.

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<sup>3</sup> Jeffrey Hoch, Center for Healthcare Policy and Research, University of California, Davis State Prescription Drug Prices, Joint Informational Hearing, May 10, 2016

<sup>4</sup> Andy Slavitt et al, CMS, Updated Medicare and Medicaid Drug Spending Dashboard, November 14, 2016

<sup>5</sup> Hoch, 2016

<sup>6</sup> Awsare, 2015

<sup>7</sup> Slavitt et al, 2016

<sup>8</sup> Slavitt et al, 2016

<sup>9</sup> Senate Health Informational Hearing on Mylan's EpiPen and Drug Pricing, Background Paper, September 29, 2016

<sup>10</sup> Slavitt et al, 2016