

As the new Congress and Administration look to overhaul the federal health care law, Ohio lawmakers can take action to address one of the glaring oversights of the Affordable Care Act - **the failure to address the unexplainable and skyrocketing costs of prescription drugs.**

Prescription drugs make up the most rapidly growing cost driver of health care and currently accounts for 17 percent of total health care spend.¹ Until significant steps are taken toward achieving transparency in the drug pricing space, true health care reform that drives down overall costs will remain a wish instead of a reality.

"The pharmaceutical industry, on the other hand, hasn't much changed — except its prices are higher and there's nothing in the health law that allows the government to push back. Prescription drugs are now the fastest growing category of medical costs. Pharma companies are charging \$84,000 for a new hepatitis C cure, more than \$14,000 for new cholesterol treatments. Novel cancer therapies routinely run six figures."²

This trend has continued into the new year and analysts across the country expect more of the same from the pharmaceutical industry.

"Prescription drug costs for Americans under 65 years old are projected to jump 11.6 percent in 2017, or at a quicker pace than the 11.3 percent price increase in 2016, according to consulting firm Segal Consulting. Older Americans won't get much of a break: Their drug costs are projected to rise 9.9 percent next year, compared with 10.9 percent in 2016. By comparison, wages are expected to rise just 2.5 percent in 2017."³

Throughout summer 2016, news cycles were dominated by stories of the dramatic price increases associated with EpiPen, the epinephrine auto-injectable used to quickly combat life-threatening allergic reactions in children and adults. Mylan NV, the manufacturer of EpiPen, offered little explanation or reason behind the significant price increase.

"Since the company acquired the rights to the drug in 2007, it's raised the per-dose list price from about \$50 a shot to \$304 today. Those without insurance or with a high-deductible plan could pay the full list price of over \$600 for a two-pack, the only way EpiPens are currently sold. The EpiPen now generates about \$1 billion a year for Mylan."⁴

Pricing trends similar to those illustrated in the EpiPen stories have become the norm rather than the exception. In fact, recent months have seen increased attention paid to the rising cost of insulin, the life-saving drug used to treat many of the estimated 30 million Americans living with diabetes.

"In the last eight years, the average price per milliliter of insulin has skyrocketed by over 200 percent. But there's one major difference. If you can't get an EpiPen, there's a chance you might die. If your body doesn't have insulin, you certainly will die."⁵

¹ Girod, Chris; Hart, Sue; Weltz, Scott. 2016. [2016 Milliman Medical Index](#). Milliman.

² Karlin-Smith, & Sarah and Norman, Brett. "[The one that got away: Obamacare and the drug industry.](#)" *Politico*, July 13, 2016.

³ Picchi, Aimee. "[Prognosis for Rx in 2017: More painful drug-price hikes.](#)" *CBS News*. December 30, 2016.

⁴ Keller, Michael; Koons, Cynthia; and Langreth, Robert. "[How EpiPen's Price Rose and Rose.](#)" *Bloomberg*, September 1, 2016.

⁵ Popken, Ben. "[Is Insulin the New EpiPen? Families Facing Sticker Shock Over 400 Percent Price Hike.](#)" *NBC News*, Nov. 2, 2016.

What We Can Do in Ohio

An [April 2016 report](#) by America's Health Insurance Plans (AHIP) projects drug spending in the United States to grow to \$560 - \$590 billion by 2020, up considerably from \$337 billion in 2015.⁶ The rapid growth can be largely attributed to the increased number of high-priced, specialty drugs reaching the market. As many as 255 new specialty drugs are anticipated to be introduced by 2021.

Statistics like these further establish expensive pharmaceutical products as one of the primary drivers behind health care costs in the United States. Although drug manufacturers are regulated in large part by the federal government, state governments do have the ability to impact this issue.

Today, drug manufacturers are not required to disclose how the prices of medications are determined. As a result, companies have long hidden behind research and development as the rationale for what appears to be irrational drug prices. OAHIP believes Ohio policymakers are uniquely positioned to address this challenge and require drug price transparency – where price is established - to better understand such astronomical growth.

The 132nd General Assembly should consider proposals to:

Require Drug Manufacturers to Disclose High Price Hikes

Purchasers of health care coverage deserve to know the facts behind the high-priced prescription drugs that contribute to their overall health care costs. Since 2015, at least ten states have introduced proposals that would require drug manufacturers to disclose the rationale behind a drug's costs.⁷ Disclosure requirements concerning drug costs are critical to any dialogue Ohio undertakes regarding price transparency in the health care delivery system.

States that Introduced Bills Requiring Drug Price Disclosure (2015-16)	
California	Oregon
Colorado	Pennsylvania
Massachusetts	Tennessee
New York	Vermont
North Carolina	Virginia

Connect Value to Drug Purchasing

In recent years, the State of Ohio has made strides in implementing value-based purchasing across markets, services, and products. However, a quality and value-based approach continues to be viewed as a threat to those wishing to preserve the one-size-fits-all status quo. Incorporating a value component to drugs purchased by Ohio's consumers holds the potential of managing costs, bolstering health outcomes, and contributing to the long-term sustainability of Ohio's overall health care system.

⁶ America's Health Insurance Plans, [High-Priced Drugs: Estimates of Annual Per-Patient Expenditures for 150 Specialty Medications](#). April 2016

⁷Sarpatwari, Armet, J.D., Ph.D., [State Initiatives to Control Medication Costs - Can Transparency Legislation Help?](#). New England Journal of Medicine. June 2016