Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Health Care & Wellness Committee

HB 2363

Brief Description: Concerning pharmaceutical drug cost and utilization transparency.

Sponsors: Representatives Cody, Harris, Robinson, Van De Wege, Jinkins and Tharinger.

Brief Summary of Bill

- Requires the lead organization for the all payer claims database (APCD) to report specific information about spending on prescription drugs, including amounts spent by government entities, the highest cost drugs, and spending trends.
- Requires manufacturers of drugs that meet a specific cost threshold to report several cost components related to each drug's production to the Office of Financial Management and the lead organization for the APCD.

Hearing Date: 1/19/16

Staff: Chris Blake (786-7392).

Background:

In 2014, the Office of Financial Management (OFM) was assigned the responsibility of creating an all payer claims database (APCD). The actual coordination and management of the APCD is to be performed by a "lead organization" selected by OFM. The stated purpose of the APCD is to assist patients, providers, and hospitals to make informed choices about care; enable providers, hospitals, and communities to benchmark performance; enable purchasers to identify value, build expectations into their purchasing strategies, and reward improvements over time; and promote competition based on quality and cost. The APCD will collect claims data from public and private health care payers, including the Medicaid program, Public Employees Benefits Board programs, all health carriers, third-party administrators, and Department of Labor and Industries programs.

The lead organization must prepare health care data reports under the supervision of OFM. There are no specifically-identified report topics outlined in statute. Instead, the lead

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organization must annually submit a list to OFM of reports that it intends to compile during the upcoming calendar year. The reports are expected to promote awareness and transparency in the health care market by reporting on (1) whether providers and health systems deliver efficient, high quality care, and (2) geographic and other variations in medical care and costs.

Summary of Bill:

Reports by the All Payer Claims Database (APCD).

The lead organization for the APCD is assigned several specific reporting responsibilities in addition to the existing health care data reports that it must regularly submit. These additional reports are specifically related to spending on prescription drugs. The lead organization must report:

- The total amount spent by state and local government entities for the purchase of prescription drugs, including spending as a percentage of the total amount spent on medical care;
- The 20 prescription drugs with the highest cost to state and local governments in terms of the total amount spent and the amount spent per prescription. The report must include a comparison of the costs of these drugs to the price paid by the US Department of Veterans Affairs and the 340B drug discount program; and
- On an annual basis, trend data over time related to the amount spent on prescription drugs by Medicaid, Public Employees Benefits Board programs, and city and county governments, including generic, brand name, and specialty drugs. In addition, this information must compare the costs by manufacturer, provide profit margins for the previous three years, and identify the price of these prescription drugs in foreign countries.

Reports to the Office of Financial Management (OFM) and Lead Organization.

The bill also requires that manufacturers report to OFM and the APCD lead organization if they produce a pharmaceutical drug that has an average wholesale price of $10,000 or more annually or per course of treatment. The term "average wholesale price" is defined as the amount used by government programs and third-party payers to determine the pricing of drugs, as filed with the federal Food and Drug Administration (FDA) and published annually in data books.

The manufacturer must report the following cost components for each reportable drug:

- Total costs for the production of the drug, including:
    - Research and development costs, such as costs of study drugs, preclinical studies, clinical trials, regulatory documentation, predecessor research, postclinical studies, and postapproval studies;
    - Costs for materials, manufacturing, and administration related to the drug;
    - Costs paid by other entities for research and development; and
    - Costs to acquire the drug;
- Total administrative costs, including marketing and advertising;
- Total profit, represented in total dollars as well as a percentage of total company profit derived from the sale of the drug;
- Total amount of financial assistance received through patient prescription assistance programs; and

- The average wholesale price filed with the FDA, including a five-year history of average wholesale price increases and an explanation of those increases.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.