SENATE BILL REPORT
SB 5292

As of January 28, 2019

Title: An act relating to prescription drug cost transparency.

Brief Description: Concerning prescription drug cost transparency.

Sponsors: Senators Keiser, Cleveland, Randall, Hasegawa, Das, Saldaña, Wilson, C., Liias, Conway, Kuderer, Nguyen, Van De Wege and Wellman.

Brief History:
Committee Activity: Health & Long Term Care: 1/28/19.

Brief Summary of Bill

- Requires issuers and drug manufacturers to report certain prescription drug pricing data on a yearly basis to the Office of Financial Management (OFM).
- Requires drug manufacturers to report price increases and written justification for the increase to OFM and purchasers.
- Requires OFM to analyze the pricing data and provide annual reports to the Legislature.

SENATE COMMITTEE ON HEALTH & LONG TERM CARE

Staff: Greg Attanasio (786-7410)

Background: Prescription Drug Purchasing Consortium. Pursuant to statute, the Health Care Authority (HCA) established a prescription drug purchasing consortium. State purchased health care programs must purchase prescription drugs through the consortium, and local governments, private entities, labor organizations, uninsured, and underinsured residents may voluntarily participate in the consortium. In 2006, Washington State and Oregon formed the Northwest Prescription Drug Consortium (Northwest Consortium) to expand their purchasing power. The Northwest Consortium offers access to retail pharmacy discounts, pharmacy benefit management services, rebate management services, and a prescription discount card for uninsured residents.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

All-Payer Health Care Claims Database. Pursuant to statute, OFM established the all-payer claims database to support transparent public reporting of health care information. The database collects claims data from the Medicaid program, Public Employees' Benefits Board programs, all health carriers, third-party administrators, and Department of Labor and Industries programs. Claim files submitted to the database include pharmacy claims.

State Agency Work on Prescription Drug Costs. In 2016, the Department of Health (DOH) convened a taskforce to evaluate factors contributing to out-of-pocket costs for patients, including prescription drug cost trends. The same year, HCA and OFM prepared a report on prescription drug costs and potential purchasing strategies at the request of legislators. The report describes increases in state agency spending on prescription drugs in recent years, current cost drivers, strategies to slow the rate of prescription drug spending, and policy options.

Summary of Bill: Issuer Reporting. Beginning October 1, 2019, and yearly thereafter, issuers must provide OFM:

- the 25 most frequently prescribed prescription drugs by health care providers in their network;
- the 25 costliest prescription drugs, and the issuer's total spending on each drug;
- the 25 prescription drugs with the largest year-over-year increase in spending, including the percentage increase; and
- a summary of the impact of prescription drug costs on health plan premiums.

Manufacturer Reporting to OFM. Beginning October 1, 2019, and yearly thereafter, manufacturers must provide OFM with the following data for each new drug costing $10,000 or more for a course of treatment or 30-day supply, and each existing drug costing at least $40 for a course of treatment or 30-day supply that has a price increase of at least 16 percent:

- a description of the factors considered when setting or increasing the price of the drug and an explanation of how the factors justify the increase;
- if the drug was produced by the manufacture during the previous five years, a history of price increases during that time;
- if the drug was acquired by the manufacturer in the previous five years (1) the price of the drug at the time of the acquisition; and (2) the company from which the drug was purchased, and the purchase price;
- the year the drug was introduced to the market and at what price;
- the patent expiration date, if the drug is under patent;
- whether the drug is a multiple source drug, an innovator multiple source drug, a noninnovator multiple source drug, or a single source drug;
- an itemized cost for the production and sale of each drug; and
- the total financial assistance given through programs, rebates, and coupons.

Manufacturer Reporting to Purchasers. Beginning October 1, 2019, a manufacturers must notify purchasers and OFM 60 days in advance of the introduction of a new drug costing $10,000 or more for a course of treatment or 30-day supply, or the price increase of an existing drug costing at least $40 for a course of treatment or 30-day supply that has a price increase of at least 16 percent. In the event of a price increase, the notice must include:

- the date of the increase, the current price, and the dollar amount of the increase; and
- a statement regarding whether a change or improvement necessitated the increase.

OFM must make this information public on its website.

OFM Report. OFM must compile the information collected from issuers and manufacturers and prepare an annual report for the Legislature demonstrating the overall impact of drug costs on health care premiums.

Appropriation: None.

Fiscal Note: Requested on January 21, 2019.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Manufacturers set the initial price of drugs and the requirements in the bill are a good starting point for understanding increases in prices. The experience in California after passing a similar bill has been positive and this should be the model for Washington.

CON: Any bill should require all parts of the supply chain to submit data and should have protections against releasing trade secrets. The thresholds that trigger manufacturer reporting requirements are too low and will likely only capture generic drugs. Further burdens on manufacturers will cause a slowdown in construction, which will hurt union jobs.

Persons Testifying: PRO: Senator Karen Keiser, Prime Sponsor; Meg Jones, Association of Washington Healthcare Plans; Jennifer Crowder, Washington CAN; Joelle Craft, Washington CAN; Sybill Hyppolite, citizen; Brenda Weist, Teamsters Local 117; Amber Ulvenes, Kaiser Permanente; Mel Sorensen, America's Health Insurance Plans.

CON: Brian Warren, Biotechnology Innovation Organization; Lee Newgent, PILMA; Brett Michelin, Association of Accessible Medicine; Eric Lohnes, Pharmaceutical Research and Manufacturers of America.

Persons Signed In To Testify But Not Testifying: No one.