

# The Insurance Federation of Pennsylvania, Inc.

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October 24, 2017

To: The Honorable Members of the Senate Banking and Insurance Committee

From: Samuel R. Marshall

**Re: Senate Bill 637 – transparency in the cost of prescription drugs**

Thank you for today's hearing. The first question might be, why another hearing – has something changed? The answer is yes and no.

On the “yes” side: California has passed a law similar to this. I'm not in the “as goes California, so goes the nation” camp – but that's a pretty big state in terms of showing this isn't the catastrophe some of those from the drug industry have suggested.

On the “no” side: What hasn't changed is that prescription drugs, however medically wondrous they are, remain prohibitively expensive and therefore an unabated problem for government programs, insurers and employers and, most important, the individual patients who depend on these drugs.

And what hasn't changed is the need for lawmakers at the state and federal level to get engaged – to break through the partisan divides and “paralysis of analysis” that too often ignore practical, market-driven measures.

The question is what can be done – and done to actually lower the costs, not just shift payment for invaluable but unduly expensive drugs from one pocket to another. We appreciate that whatever you do, it not have the unintended consequence of chilling drug research – maybe a little less marketing, but not the research and collaborative efforts that drug companies and academics do well.

**Senate Bill 637 is a practical, market-based reform that will help hold down cost but not the availability or development these drugs.**

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- It requires that drug companies disclose the costs and profits of their drugs, with the costs including research and development along with marketing and advertising. It requires transparency in the best sense - meaningful information about the costs of the product so the market can fairly negotiate its price.
- It says absent a compelling reason, insurers shouldn't be paying more than 20% over those total costs.

We'll offer the obvious caveat about transparency: It only works when the parties given the information actually want it and will use it in negotiating prices. Transparency shouldn't be – and this bill isn't - about shaming anybody, or about producing data that sounds good but isn't used, or about creating a hassle factor that benefits nobody.

The information disclosed here is information those of us who negotiate with the drug companies need to better negotiate. And for some perspective, it doesn't subject drug companies to the rate regulation we face.

Please understand the challenges we already face in our negotiations: We're sitting across from a drug company that has a quasi-monopoly of a drug that is absolutely essential but, from a patient's perspective, is largely paid by someone else. So we're in a tough bargaining position from the outset. This bill gives us a little better footing, without disrupting our policyholders' access to these drugs.

We realize Big Pharma doesn't want this. Fine - but let's see what ideas it has, beyond pointing its finger at PBMs. You can regulate PBMs every which way, and I have yet to hear a cogent explanation for how that will get Big Pharma to lower its prices.

We are confident of the fairness and value of the transparency in Senate Bill 637, and we hope it gets enacted.