

## SB 17 (Hernandez) - Drug Pricing Transparency

### Shining a Light on Drug Prices

SB 17 is a common-sense approach to providing transparency in drug pricing which will ensure affordable and accessible prescription drugs for California consumers.

### Why Transparency?

- Transparency works. When we've required transparency in pricing on other sectors of the industry, prices have stabilized or have decreased.
- Value of knowing. It gives state purchasers and employers the tools to effectively negotiate with drug companies for fair prices.
- Level the playing field. We've required other big sectors to participate in transparency on cost drivers in order to help control cost increases – hospitals, plans, and providers all have transparency requirements. This is the only major sector of the health care system that doesn't have these types of requirements.

### About SB 17

Sponsored by labor and consumers, this bill will promote transparency in the health care system by requiring drug makers to give prior notice to purchasers before raising prices and requiring health plans to report the proportion of the premiums that we pay which is spent on prescription drugs.

- **Ensures Advanced Notice for Pricing**
  - o Drug makers must notify public and private purchasers before significant increase in prices
  - o Drug makers must provide explanations about price increases and provide previous price increases for their products.
- **Records Drug Spending Information**
  - o Health plans must report information on drugs purchasing trends, including the most prescribed, the most expensive, and the highest increases in spending.
  - o Health plans must report the percentage of premiums spent on drugs and premium changes related to drug spending
- **Offers Access to Spending Data**
  - o Regulators must issue public reports on cost drivers and drug spending
  - o Regulators must inform public of significant price increases and new expensive drugs

**Support** A broad coalition has signed on in support of SB 17, including:

**Consumer and Patient Groups** Health Access California (co-sponsor); California State Retirees; CALPIRG; Consumers Union; National Multiple Sclerosis Society – CA Action Network; NextGen Climate; Project Inform

**Health care** Association of California Life and Health Insurance Companies; Blue Shield of California; California Association of Health Plans; California Nurses Association; Kaiser Permanente

**Business Groups** Los Angeles Area Chamber of Commerce; Pacific Business Group on Health; Silicon Valley Employers Forum; Small Business Majority

**Labor** California Labor Federation; AFL-CIO (co-sponsor); California Conference Board of the Amalgamated Transit Union; California Conference of Machinists; California Professional Firefighters; California School Employees Association; California Teamsters Public Affairs Council; Engineers and Scientists of California, IFPTE Local 20; International Alliance of Theatrical Stage Employees (IATSE), Local 80; International Longshore and Warehouse Union; LIUNA Locals 777 & 792; Professional and Technical Engineers, IFPTE Local; San Francisco Culinary, Bartenders and Service Employees Welfare Fund; SEIU California; UNITE HERE!; United Nurses Associations of California/Union of Health Care Professionals; Utility Workers Union of America

**Local Government** League of California Cities; School Employers Association of California; Small School Districts Association

## What Others Are Saying

"Californians deserve to know why their medicine costs so much. With the ACA's health care gains under attack in Washington, D.C., we must do everything we can in California to fight real health care challenges like the skyrocketing costs of prescription drugs. This bill will help lift the veil on soaring drug prices so we can identify meaningful strategies to ensure access to life-saving treatments. I look forward to working this year with Sen. Hernandez and the broad coalition of advocates supporting SB 17." – **Assemblymember David Chiu** (Co-author)

"Behind closed doors, corporate pharmaceutical executives make life-and-death decisions for millions of Californians. This important legislation will help protect our families by introducing transparency and fairness to pricing of essential, lifesaving medicines. It is an essential first step to rein in skyrocketing prescription drug prices." – **NextGen Climate President Tom Steyer**

"With the President and Congress focused on tax and regulatory giveaways to Big Pharma rather than on any relief for consumers, it is more urgent than ever for California to take a lead on prescription drug price transparency. This legislation will provide purchasers with the information needed to better respond to prescription drug price hikes and negotiate better deals for patients." – **Health Access California Executive Director Anthony Wright** (Co-Sponsor)

"Skyrocketing prescription drug prices are hammering working people and driving up the cost of health care up for everyone. When someone is struggling with a life-threatening disease like cancer or diabetes, they should not have to make the choice between paying for treatment and paying the rent. SB 17 brings much-needed transparency to prescription drug pricing to help lower drug prices and contain health care costs." – **California Labor Federation Executive Secretary-Treasurer Art Pulaski** (Co-Sponsor)

"Data reported to the state by health plans proves that skyrocketing drug prices are the fastest growing driver of overall increases we pay for our healthcare. Moreover, the data proves that increases in prescription drugs are NOT related to usage, but are exclusively driven by PRICE inflation. We must get transparency from the drug industry to contain costs. That's why we support SB 17 by Senator Hernandez." – **UNITE HERE State Political Director Jack Gribbon**

"Like millions of other Americans, I'm a type 2 diabetic and need to take insulin regularly in order to survive. Insulin is a 95 year old drug for which there are no research and development costs - so why does the price keep climbing and climbing? Insulin is so expensive that on those months when I don't work enough hours to qualify for my union's health trust fund, my church has to help me buy insulin, which is literally life-saving for me." – **Alfy Youssef, a banquet barback at the Fairmont Hotel in San Francisco and a member of UNITE HERE Local 2**

"Pharmaceutical drug costs comprise a growing proportion of the more than \$45 billion our members are spending on health care every year. SB 17 will help us promote value-based purchasing strategies that will return significant savings to millions of California consumers." – **Pacific Business Group on Health Senior Policy Manager Kristof Stremikis**

"Small businesses want to offer health benefits to their employees but the rising cost of prescription drugs is making it harder for them to do so. In fact, a scientific opinion poll conducted on behalf of Small Business Majority found small firms that offer health plans to their employees said the high cost of drugs is hurting their bottom lines. What's more, a vast [88 percent of small employers think drug prices are too high](#), while the same percentage said drug companies should disclose more information when it comes to setting prices for drugs. It's clear that small employers need help managing the cost of prescription drugs, and SB 17 should go a long way toward bringing California's job creators some needed relief." – **Small Business Majority California Director Mark Herbert**

“As a physician I see the impact high drug prices have on patients first hand. The price of prescription drugs continues to rise in the United States and have become a strain on patients and families. The reality is that the current market for drugs in the U.S. is broken. Price gouging in the prescription drug market has made prescription drugs less affordable and accessible. We view this as a threat to the health of our patients. This bill will bring much needed transparency to a broken market.” – **Dr. Sameer Awsare, MD, FACP, Kaiser Permanente**

"Project Inform works to ensure people living with HIV and hepatitis C have access to the medications they need. An important piece of the access puzzle is drug pricing. Unfortunately, drug pricing is complex and often opaque. We applaud Senator Hernandez for highlighting this issue and working to bring transparency to our health care systems and, ultimately, to consumers." – **Project Inform Director of Federal & State Affairs and California Hepatitis Alliance Chair Emalie Hurlaux, MPH**

“When the prices of basic medicines like EpiPens, insulin, and antibiotics skyrocket without warning, it’s a burden on all Californians, not just patients relying on those drugs. Unjustifiably high drug prices lead to higher health insurance premiums and higher costs for taxpayers and businesses. SB 17 will arm purchasers and policymakers with information to help push back on outrageous prices and hold the industry accountable.” – **CALPIRG Executive Director Emily Rusch**

“The California State Retirees – and our 35,000 members – strongly support SB 17 because it is time to do something about runaway drug prices. We thank Sen. Dr. Ed Hernandez for introducing the bill and leading this fight. High prescription drug prices are an extraordinary burden on state retirees and all health care consumers. SB 17 will bring transparency to drug pricing and give health care plans and consumers the tools they need to help control costs. SB 17 is an important step in getting a handle on high prescription drug prices. – **California State Retirees President Tim Behrens**