



April 21, 2015

The Honorable Rob Bonta
Chair, Assembly Health Committee
State Capitol, Room 6005
Sacramento, CA 95814

Re: SUPPORT the Pharmaceutical Cost Transparency Act of 2015 (AB 463)

Dear Chairman Bonta,

On the behalf of the National Physicians Alliance (NPA), representing physicians across medical specialties, we are writing to express our SUPPORT for AB 463, the Pharmaceutical Cost Transparency Act of 2015. The NPA is a nonpartisan organization dedicated to advocating first and foremost on behalf of patients; with a firm commitment to avoiding financial conflict of interest, the NPA accepts no funding from pharmaceutical or medical device companies. We support AB 463 as it would lead to pharmaceutical industry transparency that is necessary to ensure fair drug prices for our patients and continued healthcare coverage success in California.

California has made incredible strides through the Affordable Care Act (ACA) to providing patients with comprehensive healthcare coverage. One in three Californians are now being covered by Medi-Cal and nine out of ten enrollees in Covered California are now eligible for subsidies to decrease the cost of their healthcare. Californians also now have increased access to benefits and services such as prescription drugs.

Highly priced drugs, however, threaten to derail this success. The rising prices of drugs have increasingly become a challenge for patients to have access to the life-saving treatments they need. Some of these alarming trends are as follows:

- Prices of 73 brand-name drugs on the market have increased by 75 percent since 2007 (DRX, 2014)
- Prices for 1,200 generic drugs on the market have increased on average by 450 percent between 2013 and 2014 (Sanders, 2014)
- Average prices of cancer drugs have doubled in the last decade from \$5,000 to \$10,000 per month (IMS Health, 2014)
- Prices of the 11 out of 12 new cancer drugs approved by the FDA in 2013 were more than \$100,000 per year (AARP, 2014)

- Specialty drug spending is expected to more than quadruple from \$87 billion in 2012 to \$400 billion in 2020 if no policies are put in place to control current and future prices (UnitedHealth Group, 2014)
- More prescriptions were abandoned at the pharmacy counter by insured patients in 2014 than in 2013, resulting in 8.4 million fewer prescriptions being filled at retail pharmacies (IMS Institute for Healthcare Informatics, 2014)

Although pharmaceutical companies contend that these drug prices reflect the cost research and development (R&D), numerous studies have shown that companies spend more on marketing and advertising than they do on R&D. These figures coupled with the lengthy monopoly pricing protection incentives that manufacturers of orphan drugs as well as biologics receive clearly indicate the need for increased transparency over the pricing of drugs and understanding of companies' rationale behind charging our patients exorbitantly high prices that threaten to make the healthcare system unaffordable and inaccessible.

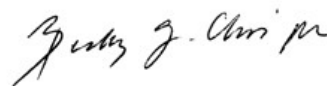
Therefore, we support AB 463 as it would allow for greater scrutiny of prescription drug pricing so that purchasers and policymakers can ensure affordable healthcare access for our patients. The bill would require each manufacturer of drugs that are priced above \$10,000 or higher per year to submit a report to the Office of Statewide Health Planning and Development (OSHPD), detailing the drug's total R&D, marketing and advertising, materials and manufacturing costs as well as costs paid by government sources including through subsidies and grants. The report will also include past Average Wholesale Price and Wholesale Acquisition Costs and the total profit that is attributable to the drug. Such industry transparency will be extremely valuable to understand the drivers behind drug pricing and be used to make informed decisions about drug purchasing.

Thus, the National Physicians Alliance enthusiastically supports AB463 and urges that you approve this bill as well when it comes before you.

Sincerely,



William B. Jordan, MD, MPH
NPA President



Ricky Choi, MD, MPH
Chair, NPA-California