

THE WALL STREET JOURNAL.

DECEMBER 31, 2016

Drug Pricing Report Shows Limits of Transparency Push; Vermont identified 10 prescription drugs with large increases, but the first report merely summarizes manufacturers' explanations for the price hikes

By Peter Loftus

A new Vermont law—the first of its kind in the U.S.—aims to shine a light on the murky world of prescription-drug pricing by requiring manufacturers to justify big increases.

But the transparency push has its limits, as seen in the first report that Vermont officials prepared based on the drugmakers' explanations.

The Vermont law, enacted in June, instructed state officials to identify up to 15 drugs annually with price increases of at least 15% in the prior year, or 50% over the prior five years, and on which the state spends significant money through programs such as Medicaid.

The law requires the Vermont attorney general's office to seek explanations from the companies and issue an annual report based on the responses.

The first report, issued this month, identified 10 drugs. They included Mylan NV's EpiPen allergy treatment, whose price rose about 205% over five years; Sanofi SA's Lantus insulin, up 90%; and AbbVie Inc.'s rheumatoid-arthritis treatment Humira, up 114%.

Manufacturers were asked to submit all factors that contributed to price increases, and percentages attributable to each factor. But none of their answers are in the report. The 11-page document merely summarizes some of the reasons given, such as the industry's need to invest in research and manufacturing.

That is because the law has a confidentiality provision, so none of the companies' written responses are publicly available.

Jill Abrams, a Vermont assistant

attorney general, said she couldn't discuss details from the companies' responses.

"Some of the information is probably more synthesized and summarized than what we might have envisioned, and in that sense is perhaps a little less helpful than we might have hoped," said state Rep. Anne Donahue, who voted for the drug-price transparency bill.

The law also doesn't give the state the power to cap or roll back prices that it deems excessive. The state can only levy a \$10,000 fine to companies that don't provide information about their price increases.

The Vermont law is part of a broader movement to increase drug-price transparency, which supporters say could pressure companies to rein in costs. Other states including California are considering laws similar to Vermont's, and in September U.S. Sens. John McCain and Tammy Baldwin proposed legislation to require drugmakers to justify to the federal government any drug-price increases of more than 10%.

The industry has lobbied against state pricing proposals. The Pharmaceutical Research and Manufacturers of America said in a statement the Vermont law ignores cost savings that medicines can provide to the health system, and focuses too much on list prices.

Vermont lawmakers included the confidentiality provision out of concern that the industry wouldn't comply, or would challenge the law in court, said Ms. Donahue, a Republican. It states

that officials can't release the company information "in a manner that allows for the identification of an individual drug or manufacturer or that is likely to compromise the financial, competitive,

or proprietary nature of the information."

Vermont State Rep. Christopher Pearson, a lead supporter of the law, said the drug-transparency report has "limited information." But he added that "we're starting to peel back some of the layers of the onion here." Mr. Pearson, a Progressive, said the law's intent was to identify trends that could help explain why prescription costs are escalating, which he said could guide legislative action. Vermont lawmakers may hold hearings and discuss further action on the report, he said.

Eight of the drugmakers listed in the report declined to share with The Wall Street Journal the written responses they provided to the Vermont attorney general's office, citing the law's confidentiality provision. Another company didn't respond to requests for comment. A 10th company, Mutual Pharmaceutical, couldn't be reached for comment. The price of Mutual's generic antibiotic doxycycline soared more than 4,700% in the past five years, the report said.

Amgen Inc. said in a recent regulatory filing the Vermont law was an example of state government actions that "create additional pressure on how our products are priced." Amgen's Enbrel anti-inflammatory treatment was among the drugs listed in the Vermont report; its price rose 93% over five years.

Several of the companies said in comments to the Journal they priced their drugs based on the economic value to patients and insurers.

The state's report indicated that manufacturers said they offer rebates

and discounts that reduce the costs of many drugs, though it didn't quantify the price concessions.

Write to Peter Loftus at peter.loftus@wsj.com

THE PUBLISHER'S SALE OF THIS REPRINT DOES NOT CONSTITUTE OR IMPLY ANY ENDORSEMENT OR SPONSORSHIP OF ANY PRODUCT, SERVICE, COMPANY OR ORGANIZATION
CUSTOM REPRINTS (800) 526-4331 P.O. BOX 300 PRINCETON, NJ 08543-0300. DO NOT EDIT OR ALTER REPRINTS, REPRODUCTIONS NOT PERMITTED