



FEBRUARY 15, 2017

# Drug Price Transparency Could Help Control Costs

## Position statement supporting Senate Bill 437

*Given before the Senate Finance Committee*

Skyrocketing costs for prescription drugs are a major factor driving up the costs of health care and insurance for everyone. Providing some basic transparency around those cost increases, similar to what takes place in the state's insurance market, will help policymakers and the public better understand the reason for those cost increases and take actions that could help control costs for consumers. For these reasons, the Maryland Center on Economic Policy supports Senate Bill 437.

Prescription drugs now make up about 17 percent of all health care costs in the United States, with Americans spending more than twice as much per year on medications than their peers in other industrialized countries.<sup>1</sup> High costs are particularly challenging for low- and moderate-income Marylanders. More Marylanders have insurance now thanks to the Affordable Care Act, yet many still face high deductibles and co-pays that force them to choose between their medication and their next trip to the grocery store. While there may be multiple factors leading to drug price increases, providing additional transparency will help increase understanding of the market.

In addition to the state's interest in protecting consumers, greater scrutiny of drug pricing could also result in savings for the state – particularly if it helps rein in price increases for employee health insurance. There are also cases like the drug naloxone, which the state has been purchasing to help people survive opioid overdoses. Once first responders in Maryland and other states began carrying naloxone, its price suddenly spiked.<sup>2</sup> The greater transparency provided by Senate Bill 437 would allow policymakers to better understand and respond to incidences like this in the future.

Over time, having more information about drug costs could help reduce expenses for the state and average Marylanders, which would benefit our economy and free up state resources to invest in other priorities.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Finance Committee make a favorable report on Senate Bill 437.**

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<sup>1</sup>The High Cost of Prescription Drugs in the United States: Origins and Prospects for Reform; Aaron S. Kesselheim, Jerry Avorn, Ameet Sarpatwari; Journal of the American Medical Association, August 2016.

<http://jamanetwork.com/journals/jama/article-abstract/2545691>

<sup>2</sup> The price of the 'antidote' to the overdose crisis is skyrocketing, Harrison Jacobs, Business Insider, Aug. 1, 2016.

<http://www.businessinsider.com/price-of-naloxone-narcan-skyrocketing-2016-7>