SENATE BILL REPORT
SB 5251

As of January 29, 2019

Title: An act relating to prescription drug cost transparency.

Brief Description: Concerning prescription drug cost transparency.

Sponsors: Senators Mullet, Rivers, Palumbo and Rolfes.

Brief History:
Committee Activity: Health & Long Term Care: 1/28/19.

Brief Summary of Bill

- Requires issuers, pharmacy benefit managers (PBM), and pharmacy services administrative organizations (PSAO) to report certain prescription drug pricing data on a yearly basis to the Office of Financial Management (OFM).
- Requires OFM to analyze the data from issuers, PBMs, and PSAOs and provide an annual report to the Legislature.
- Requires drug manufacturers to report new drug applications to the Health Care Authority (HCA).
- Requires HCA to compile an annual list of costly drugs and collect pricing data from manufacturers for those drugs.

SENATE COMMITTEE ON HEALTH & LONG TERM CARE

Staff: Greg Attanasio (786-7410)

Background: Prescription Drug Purchasing Consortium. Pursuant to statute, the Health Care Authority (HCA) established a prescription drug purchasing consortium. State purchased health care programs must purchase prescription drugs through the consortium, and local governments, private entities, labor organizations, uninsured, and underinsured residents may voluntarily participate in the consortium. In 2006, Washington State and Oregon formed the Northwest Prescription Drug Consortium (Northwest Consortium) to expand their purchasing power. The Northwest Consortium offers access to retail pharmacy

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discounts, pharmacy benefit management services, rebate management services, and a prescription discount card for uninsured residents.

All-Payer Health Care Claims Database. Pursuant to statute, OFM established the all-payer claims database to support transparent public reporting of health care information. The database collects claims data from the Medicaid program, Public Employees' Benefits Board programs, all health carriers, third party administrators, and Department of Labor and Industries programs. Claim files submitted to the database include pharmacy claims.

State Agency Work on Prescription Drug Costs. In 2016, the Department of Health convened a taskforce to evaluate factors contributing to out-of-pocket costs for patients, including prescription drug cost trends. The same year, HCA and OFM prepared a report on prescription drug costs and potential purchasing strategies at the request of legislators. The report describes increases in state agency spending on prescription drugs in recent years, current cost drivers, strategies to slow the rate of prescription drug spending, and policy options.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): Issuer Reporting. Beginning October 1, 2019, and yearly thereafter, issuers must provide OFM:

- the 25 most frequently prescribed prescription drugs by health care providers in their network;
- the 25 costliest prescription drugs, and the issuer's total spending on each drug;
- the 25 prescription drugs with the largest year-over-year increase in spending, including the percentage increase;
- the portion of premiums attributable to brand name, generic, and specialty drugs;
- the year-over-year increase in premiums attributable to brand name, generic, and specialty drugs;
- a comparison of the year-over-year increase in the cost of covered drugs and and the increase in cost of other contributors to premiums;
- the name of each covered specialty drug; and
- the name of the 25 most frequently prescribed drugs for which an issuer receives rebates.

Pharmacy Benefits Manager Reporting. Beginning October 1, 2019, and yearly thereafter, PBMs must provide OFM:

- the aggregate dollar amount of rebates and fees received from manufacturers;
- the aggregate dollar amount of rebates and fees retained by the PBM; and
- the aggregate retained rebate percentage.

Pharmacy Services Administrative Organization Reporting. Beginning October 1, 2019, and yearly thereafter, PSAOs must provide OFM:

- the negotiated reimbursement rate for the 25 drugs with the highest reimbursement rate;
- the 25 drugs with the largest year-over-year change in reimbursement rate; and
- a schedule of fees charged to pharmacies for the services provided.

OFM Report. OFM must compile the information collected from issuers, PBMs, and PSAOs and prepare an annual report for the Legislature demonstrating the overall impact of drug costs on health care premiums.

New Drug Applications. Beginning October 1, 2019, manufacturers must notify HCA of new drug applications filed with the Food and Drug Administration (FDA). Upon receipt of the notice, HCA may request additional information from the manufacturer about the drug, including its intended use, any designations applied to the drug by the FDA, and the expected date the FDA will complete the review of the application.

Annual Drug List and Manufacturer Reporting. Beginning January 1, 2020, HCA must prepare an annual list of ten prescription drugs that have a significant impact on state expenditures or are critical to public health. HCA may only choose drugs that:

- cost at least $100 for a 30-day supply or a course of treatment; and
- increased in price by at least 20 percent in the previous calendar year or 50 percent in the previous three calendar years.

HCA must notify the manufacturers of the drugs appearing on the list, and manufacturers must then provide:

- a written narrative specifying the factors used to make the decision to increase the price;
- a five-year history of the drug price;
- research and development and other capital expenditures for the most recent year the information is available;
- the year the drug was introduced and at what price; and
- whether the drug is a multiple source drug, an innovator multiple source drug, a non-innovator multiple source drug, or a single source drug.

Appropriation: None.

Fiscal Note: Requested on January 23, 2019.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The goal of the bill is to include more entities in the supply chain to provide broader transparency.

CON: Generic drugs drive savings and should not be included in transparency legislation. The notice of FDA filing interjects the state into a federal process and would give brand name drug manufactures information to allow them to slow down the introduction of generics to the market. The bill still leaves out supply chain entities, including pharmacy. Any transparency legislation should focus first on manufacturers.

OTHER: Including more entities in transparency legislation is a move in the right direction.

Persons Testifying: PRO: Senator Mark Mullet, Prime Sponsor.

CON: Lee Newgent, PILMA; Meg Jones, Association of Washington Healthcare Plans; Brett Michelin, Association of Accessible Medicine; Mel Sorensen, America's Health Insurance Plans; Eric Lohnes, Pharmaceutical Research and Manufacturers of America; Carrie Tellefson, Pharmaceutical Care Management Association.

OTHER: Brian Warren, Biotechnology Innovation Organization.

Persons Signed In To Testify But Not Testifying: No one.