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Matthew Eyles
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The Honorable Richard Neal
Chairman
House Ways and Means Committee
1102 Longworth Building
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
House Ways and Means Committee
1139 Longworth Building
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady:

On behalf of America's Health Insurance Plans (AHIP), thank you for scheduling a markup to consider legislative solutions to improve transparency around prescription drug prices. We appreciate your leadership in developing bipartisan consensus on these solutions. Transparency is an important part of any broad-based strategy to provide relief to the American people from out-of-control prescription drug prices.

Health insurance providers—along with their pharmacy benefit manager (PBM) partners—are the bargaining power of the American people. Leveraging competition among prescription drugs when therapeutic alternatives exist, they negotiate with drug makers for lower costs; encourage enrollees to use the most cost-effective, therapeutically appropriate drugs; and pass the savings along to consumers through lower premiums and out-of-pocket costs.

Drug makers alone set the prices for their products. They alone increase prices and they alone have the ability to reduce their prices. To address this reality—that **"The Problem Is the Price"**—legislative and regulatory actions are needed to make prescription drugs more affordable for everyone.

Our members support market-based solutions that hold drug makers accountable for high list prices and put downward pressure on prescription drug prices through competition, consumer choice, and open and honest drug pricing. Requiring greater transparency—which is the focus of the committee's markup today—is an important step to ensure that consumers have the information they need to make informed health care decisions. Currently, many patients lack drug pricing information that helps them make informed choices about their treatment. Increasing access to pricing information can enable patients to compare different treatment options and help them find lower cost, but equally effective, choices such as generic drugs or biosimilars.

We believe drug makers should be required, as part of the Food and Drug Administration (FDA) approval process, to disclose information regarding the intended launch price, the use of the

drug, and direct and indirect research and development costs. After approval, drug makers should provide appropriate transparency into list price increases.

In addition to empowering consumers, openly disclosing drug prices will bring additional public attention to drug price increases, which will discourage drug makers from raising their prices year after year—often multiple times a year—without justification. Government leaders, regulators, consumers, and insurance providers deserve to know how prices are set and what causes them to go up. By understanding the market dynamics of why prices are going up, we can work together to mitigate those effects.

Below we provide our comments on several provisions of H.R. 2113, the "Prescription Drug Sunshine, Transparency, Accountability and Reporting (STAR) Act."

The SPIKE Act

Section 2 of H.R. 2113 is based on the Stopping the Pharmaceutical Industry from Keeping Drugs Expensive (SPIKE) Act, a bipartisan bill introduced by Representatives Horsford (D-NV) and Reed (R-NY). We strongly support this comprehensive drug price transparency legislation. High launch prices and price increases for existing brand name drugs are the main drivers of escalating drug costs—threatening access to affordable medicines for patients who rely on them. Transparency around drug costs can help open the "black box" of pharmaceutical pricing so all stakeholders have better information into price hikes for essential medicines needed to treat and manage chronic conditions, such as diabetes, HIV, oncology and pain medications.

By requiring drug makers to report detailed information to HHS for price increases that exceed certain thresholds, the bipartisan SPIKE Act will help shine a spotlight on drug price hikes and holds promise for curbing price increases in the future. Requiring drug makers to submit detailed information on expenses related to the development, manufacturing and marketing of a drug will help solve the drug pricing puzzle. And, by requiring a justification for high list prices and drug price increases, this legislation takes an important step to identify and curb unwarranted drug price increases in the future.

The Sunshine for Samples Act

Section 3 of H.R. 2113 is based on the Sunshine for Samples Act, a bipartisan bill introduced by Representatives Chu (D-CA) and Nunes (R-CA). We support this proposal. Another way to promote greater transparency in the pharmaceutical market is to increase scrutiny and disclosure on the number and value of prescription drug samples. In 2016, drug makers provided the equivalent of $13.5 billion to physicians and other medical providers. While free samples can

help patients temporarily while they determine whether a new treatment is effective or has side effects before they pay for it out of their own pocket, drug makers also provide samples as a way to influence physician prescribing and maximize profits.[1]

This bipartisan legislation aims to improve public access into the number and value of samples provided to physicians by requiring the reporting of such information under existing procedures and mechanisms. Incorporating drug samples into this existing public reporting requirement—which details fees, research payments, meals, and other transfers of value between drug makers and the medical community—can help promote greater public access and disclosure while, at the same time, preserving the ability of manufacturers to continue to make samples available to physicians and other providers.

The Reporting Accurate Drug Prices Act

Section 6 of H.R. 2113 is based on the Reporting Accurate Drug Prices Act, a bipartisan bill introduced by Representatives Doggett (D-TX) and Buchanan (R-FL). We support this proposal. This bipartisan legislation would improve the accuracy and timeliness of drug pricing data submitted by manufacturers under the Medicare Part B program. Medicare Part B drug spending continues to increase rapidly—increasing by an average annual rate of 9.8% since 2011 with total spending reaching $28 billion in 2016.[2] The increase in costs and lack of competition for many Part B drugs raise serious concerns about affordability and access—particularly for Medicare beneficiaries who rely on biologics and other medications covered under Part B to manage and treat their serious and complex medical conditions—since beneficiaries face a 20 percent copayment unless they have more generous coverage through a Medicare Advantage plan or have Medicare supplemental coverage.

Policy experts agree that reforms are needed to address the misaligned incentives under Medicare Part B and promote more affordable access for Medicare beneficiaries. This legislation represents one step toward reducing Medicare drug expenditures by requiring all drug makers to submit information to HHS on the average sales price of their physician-administered drugs covered under Medicare Part B. Currently, only drug makers with Medicaid rebate agreements must report average sales price data. As a result, current data collected by HHS may be incomplete and/or inaccurate—resulting in Medicare overpaying for certain Medicare Part B drugs. Requiring all drug makers to report this data will result in more accurate data reporting while enhancing program integrity and reducing costs.

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[1] The High Cost of "Free" Drug Samples. December 2014.
https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4274368/

Thank you for considering solutions to address the drug price crisis. We look forward to continuing to work with the committee to make prescription drugs more affordable. Everyone deserves access to the medications they need at a price they can afford. We should not have to choose between innovation and affordability. With the right solutions and genuine collaboration, we can have both.

Sincerely,

Matthew D. Eyles
President and CEO

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[2] CMS—Spending and Enrollment Data from Centers for Medicare and Medicaid Services Office of Enterprise Data and Analytics.