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April 3, 2017

The Honorable Ed Hernandez
California State Senate
State Capitol, Room 2080
Sacramento, CA 95814

RE: SB 17 (Hernandez) Health care: prescription drug costs – Support
As Amended March 14, 2017

Dear Senator Hernandez,

The Consumer Federation of California writes in support of your legislation, SB 17, which would promote transparency in the health care system by requiring drug makers to give prior notice to purchasers before raising prices, and to provide the state with information as to what influenced the decision to increase drug's price. SB 17 will help purchasers and consumers better understand pharmaceutical pricing and give them the tools to fight back against price-gouging.

Specifically, SB 17 would require a drug manufacturer to notify purchasers, at least 90 days prior to the planned effective date, if it will be increasing the wholesale acquisition cost of a prescription drug by 10% for drugs priced above Medicare's specialty drug threshold, i.e. \$600 per month, and 25% for drugs priced below that threshold. The bill would also require drug manufacturers to provide specified information related to price increase to California's Office of Statewide Health Planning and Development, such as a description of factors that led to the decision to increase drug's price, information on the marketing budget for the drug and patient assistance programs, as well as documentation of increased clinical efficacy of the drug, if any.

Drug manufacturers provide minimal justification for the high prescription drug prices that are becoming the norm in California and nationwide. Employers and workers are hit hard by prescription drug price increases, as prescription drugs make up 19% of benefit costs in job-based coverage. However, even that figure is understated because while it includes prescriptions that patients fill at pharmacies, it does not include many of the expensive drugs administered in physicians' offices or hospitals.

Consumers and policymakers will benefit from the greater transparency that SB 17 will provide to the prescription drug market, and such information will also encourage competitive pricing among drug manufacturers.

Thank you for your leadership on this vital issue.

Sincerely,

A handwritten signature in black ink that reads "Richard Holober". The signature is written in a cursive style with a large, prominent "R" and "H".

Richard Holober
Executive Director