

April 21, 2015  
The Honorable Rob Bonta  
Chair, Assembly Health Committee  
State Capitol, Room 6005  
Sacramento, CA 95814

**Re: SUPPORT the Pharmaceutical Cost Transparency Act of 2015 (AB 463)**

Dear Chairman Bonta,

On behalf of the American Medical Students Association (AMSA), representing more than 30,000 physicians-in-training and healthcare professionals, we are writing to express our SUPPORT for AB 463, the Pharmaceutical Cost Transparency Act of 2015. AMSA is the nation's oldest and largest independent association representing physicians-in-training. We are committed to improving quality, accessibility, and affordability of healthcare for all people. We support AB 463 as it would lead to pharmaceutical industry transparency that is necessary to ensure fair drug prices for our patients.

California has made incredible strides to provide patients with comprehensive healthcare coverage through the Affordable Care Act (ACA). One in three Californians are now being covered by Medi-Cal and nine out of ten enrollees in Covered California are now eligible for subsidies to decrease the cost of their healthcare. Californians also now have increased access to benefits and services such as prescription drugs.

Highly priced drugs threaten to derail the nation's exceptional progress under the ACA. Life-saving treatments are more frequently inaccessible for our patients as medication prices continue to rise. The rising prices of drugs have increasingly become a challenge to patient's access to life-saving treatments. Some of these alarming trends are as follows:

- Prices of 73 brand-name drugs on the market have increased by 75 percent since 2007 (DRX, 2014)
- Prices for 1200 generic drugs on the market have increased on average by 450 percent between 2013 and 2014 (Sanders, 2014)
- Average prices of cancer drugs have doubled in the last decade from \$5000 to \$10000 per month (IMS Health, 2014)
- Prices of the 11 out of 12 new cancer drugs approved by the FDA in 2013 were more than \$100,000 per year (AARP, 2014)
- Specialty drug spending is expected to more than quadruple from \$87 billion in 2012 to \$400 billion in 2020 if no policies are put in place to control current and future prices (UnitedHealth Group, 2014)
- More prescriptions were abandoned at the pharmacy counter by insured patients in 2014 than in 2013, resulting in 8.4 fewer prescriptions being filled at retail pharmacies (IMS Institute for Healthcare Informatics, 2014)

Although pharmaceutical companies contend that current drug prices reflect the cost of research and development (R&D), numerous studies have shown that companies spend more on marketing and advertising than they do on R&D. Furthermore, manufacturers of orphan drugs and biologics receive long-standing patent protection and numerous federal tax

credits. In light of these realities, we must know more about how drugs are priced, and companies' rationale behind charging our patients exorbitantly high prices that threaten to make healthcare unaffordable and inaccessible.

Therefore, we support AB 463 as it would allow for greater scrutiny of prescription drug pricing so that purchasers and policymakers can ensure affordable healthcare access for our patients. The bill would require each manufacturer of drugs that are priced above \$10,000 or higher per year to submit a report to the Office of Statewide Health Planning and Development (OSHDP), detailing the total costs of R&D, marketing and advertising, materials and manufacturing as well as funding by government sources via subsidies and grants. The report will also include past Average Wholesale Prices, Wholesale Acquisition Costs and the total profit generated by the drug. Such industry transparency will be extremely valuable in understanding the drivers behind drug pricing and to use that information to pursue policy that can ensure access to quality, affordable drugs.

The American Medical Student Association enthusiastically supports AB 463 and urges that you approve this bill as well when it comes before you.