

---

**TESTIMONY OF RAY LANDIS**

**ADVOCACY MANAGER**

**AARP PENNSYLVANIA**

**REGARDING PHARMACEUTICAL COST TRANSPARANCY**

**BEFORE THE HOUSE INSURANCE COMMITTEE**

**FEBRUARY 8, 2017**

**HARRISBURG, PENNSYLVANIA**

---

Good morning. I appreciate the opportunity to appear before this important hearing on Pharmaceutical Cost Transparency. My name is Ray Landis, and I serve as Advocacy Manager for AARP Pennsylvania. AARP is a membership organization for individuals 50 years of age and older and we have 1.8 million members in the Commonwealth. Not surprisingly, a vast majority of them take at least one prescription medication each day.

The concerns of AARP members and older Pennsylvanians about rising prescription drugs costs are not new. Pennsylvania recognized it in 1984, when the Pharmaceutical Assistance Program for the Elderly, PACE, was established, utilizing lottery revenues. The Commonwealth enhanced the program in 1996 with the creation of PACENET for a higher income cohort. Medicare beneficiaries received help with prescription drug costs when the Medicare Prescription Drug Benefit was enacted in 2003.

Prescription medications have continued to assume a more prominent role in the overall health care system in the United States since these programs were put into place. These drugs have played an important role in allowing Older Pennsylvanians to maintain an active, healthy role in their communities. But prescription drug costs are now outpacing the assistance available to older

Americans, and these dramatic cost increases threaten the ability not only of insurance plans, Medicare, and PACE and PACENET to provide an adequate benefit, but for individuals to have access to what in many cases are life-saving medications.

If that sounds like an exaggeration, consider the following. AARP issued a report in December of 2016 entitled Trends in Retail Prices of Brand Name Prescription Drugs Widely Used by Older Americans, 2006 to 2015 – quite a mouthful of a title. I’ve provided a one page summary of that report, with information on how to access the full report. The one-page summary points out the major highlight of this study – that brand name prescription drug prices have increased by a double-digit percentage for four consecutive years. The increase in 2015 was 15.5 percent. Overall inflation during the same period was 0.1 percent. Some other startling statistics from this report – 90 percent of brand name drug products more than doubled in cost in the past ten years, and the average annual cost (\$5,807) of brand name prescriptions grew more than three times the average annual cost (\$1,788) in 2006, the year Medicare implemented the Part D program.

But it’s not only AARP that is finding prescription drug costs are having an adverse impact on older people. A UPI news story from last week revealed researchers at the University of British Columbia released a study indicating 16.8

per cent of United States residents over the age of 55 are not filling prescriptions because of cost – far higher than other industrialized countries around the world.

This is a huge issue for Older Pennsylvanians today – and in fact is a huge issue for all Pennsylvanians and not only those who utilize prescriptions drugs to maintain their health. As prescription drug costs increase, the cost pressures on state programs like PACE and Medicaid and the federal Medicare Prescription Drug program increase. The impact on state and federal budgets is immense and is a significant factor as Pennsylvania works to put together a budget each year.

But as critical as these current pressures are, the future impact is even more dramatic. In another room in the Capitol complex this morning, the House Aging and Older Adult Services Committee is receiving testimony from the Penn State Data Center on the coming demographic changes that the Commonwealth will experience. Our older population, the portion of our population most likely to take prescription medications, is expected to increase dramatically over the next decade. As this demographic change takes place and prescription drug utilization increases, it will stretch our capabilities to pay for these medications. If drug costs continue to increase at the dramatic rate of the past decade, it invariably will push more of

the costs to individuals – most of whom are on fixed incomes and simply cannot afford such costs.

AARP's prescription drug price report reaches the following conclusion:

“Clearly, the economics of the pharmaceutical market are not working as expected.

Policymakers must take a serious look at recent pricing behavior in the pharmaceutical market. Current market forces have not moderated excessive brand name drug price increases and the resulting increases in pharmaceutical expenditures are not sustainable. Policymakers interested in reducing the impact of brand name prescription drug prices should focus on options that balance the need for pharmaceutical innovation with the need for improved health and the financial security of consumers and taxpayer-funded programs.”

From AARP's perspective, the current trend of prescription drug inflation is unsustainable. Today's older Pennsylvanians, as well as future older Pennsylvanians, are at risk of not having access to the prescription drugs they need if current pricing trends continue.

Thank you again for the opportunity to be here today, and I'll be happy to answer any questions you may have.



**Rx Price Watch**

# Brand Name Prescription Drug Prices Increase by Double-Digit Percentage for Fourth Straight Year

Stephen W. Schondelmeyer  
PRIME Institute, University of Minnesota

Leigh Purvis  
AARP Public Policy Institute

- In 2015, retail prices for 268 widely used brand name prescription drugs increased by 15.5 percent. In contrast, the general inflation rate was 0.1 percent over the same period.

- The average annual cost for one brand name medication used on a chronic basis was more than \$5,800 in 2015, almost \$1,000 higher than the average annual cost of therapy in 2014.

For the average consumer who takes 4–5 brand name prescription drugs on a chronic basis, the annual cost of therapy would have been more than \$26,000 during 2015—more than the median annual income for Medicare beneficiaries.

- If these trends continue, the cost of drugs will prompt increasing numbers of older Americans to stop taking necessary medications—leading to poorer health outcomes and higher overall health care costs.
- Prescription drug price increases also affect employers, private insurers, and taxpayer-funded programs like Medicare and Medicaid. Spending

increases driven by high and growing drug prices will eventually affect all Americans in some way.

— Those with private health insurance will pay higher premiums and cost sharing for their health care coverage. Over time, it could also lead to higher taxes and/or cuts to public programs to accommodate increased government spending.

- Policymakers should consider regulatory and legislative action that balances the need for pharmaceutical innovation with the need for improved health and the financial security of consumers and taxpayer-funded programs like Medicare and Medicaid.

This Rx Price Watch is a summary of the report *Trends in Retail Prices of Brand Name Prescription Drugs Widely Used by Older Americans, 2006 to 2015*.

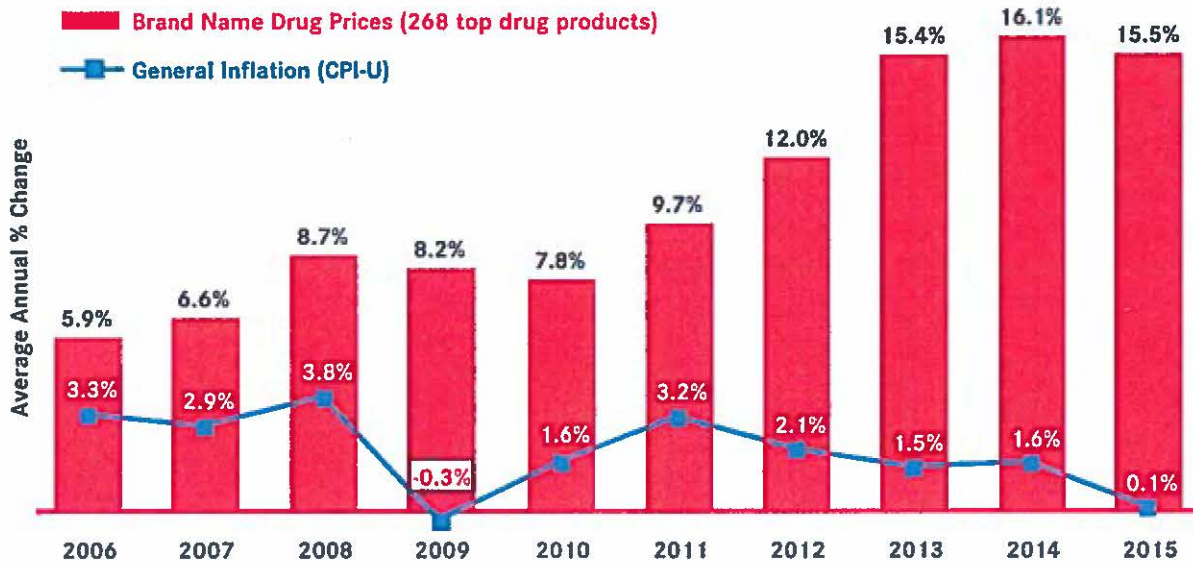
To view the full report, visit:

<http://www.aarp.org/rxpricewatch>.



**Public Policy  
Institute**

**FIGURE 1**  
**AVERAGE ANNUAL BRAND NAME DRUG PRICES CONTINUE TO GROW SUBSTANTIALLY FASTER THAN GENERAL INFLATION IN 2015**



Prepared by the AARP Public Policy Institute and the PRIME Institute, University of Minnesota, based on data from Truven Health MarketScan® Research Databases.

Summary of Rx Price Watch 2016-04, December 2016

© AARP PUBLIC POLICY INSTITUTE  
 601 E Street, NW  
 Washington DC 20049

Follow us on Twitter @AARPolicy  
 on facebook.com/AARPolicy  
 www.aarp.org/ppi

For more reports from the Public Policy Institute, visit <http://www.aarp.org/ppi/>.

