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**Written Testimony
Comptroller Kevin Lembo
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Concerning

H.B. 5384: AN ACT CONCERNING PRESCRIPTION DRUG COSTS

Good afternoon Senator Larson, Representative Scanlon, Senator Kelly, Representative Sampson, and Members of the Insurance Committee:

I write today in support of House Bill 5384, An Act Concerning Prescription Drug Costs.

To explain this concept, we must begin with a story about how today's so-called "free market" works for pharmaceutical corporations – and how it works for the people whose lives depend on it.

I'll start with the case of Horizon Pharma and pharmacy benefit managers (like CVS and Express Scripts):

- Horizon takes the active ingredients of affordable over-the-counter drugs that are often prescribed together (for example, Aleve and Pepcid AC).
- Horizon gets FDA approval to sell a drug that combines both.
- Horizon then sells that drug for 7,000% more than the cost of buying Aleve and Pepcid AC individually.
- When a pharmacy benefit manager threatens to exclude Horizon's unjustified costly drug, the two make a deal.
- The rest of us – as patients and taxpayers – pay the cost of that deal.

When patient lives are on the line – particularly our children – who wouldn't pay a 7,000% markup? Drug makers and PBMs know it.

I have many questions about the deal between Horizon and pharmacy benefit managers: Why did pharmacy benefit managers threaten to remove Horizon products from their formularies – but then restore them? What is the justification for charging thousands for a prescription that can be obtained over the counter for 7,000 percent less?

The journey between drug manufacturer and consumer is a long one – dotted with many deals, payments and wealth exchange along the way.

As if the consumer cost at the counter wasn't enough, most of us are paying these massive markups without even realizing it –through our insurance premiums, our taxes and in the cost of doing business with any employer.

There is only one way to extend any free-market fairness to this realm: By shining a bright light onto a shadowy market.

This legislation would accomplish the following:

- When a drug price increases beyond a 25-percent threshold, the Office of Health Policy will have the authority to request a justification for that increase from the drug manufacturer, including details about research and development and related expenses. Ideally, this measure would eventually be expanded to include disclosure about drug manufacturers' marketing expenses as well.
- Any PBM registered to operate in Connecticut must disclose the total amount of rebates received from manufacturers, including how much of the rebate the PBM retained vs. how much was passed down to plan sponsors and consumers. They must also report their administrative fees, including any other payments by the manufacturer to the PBM that are not considered rebates.
- And finally, consumers would get immediate relief at the pharmacy counter -- paying post-rebate costs instead of a drug's list price.

This state review will raise essential questions: Is there a rationalization for sending drug costs skyward – by more than 7,000 percent – after so many years on the market? Are these profits fueling research and development? If so, then here's an opportunity to demonstrate that.

It's important to note that there are fair-minded pharmaceutical companies in this world, some here in Connecticut, who are running a business – but committed to the important work of developing new treatments that save lives or improve the quality of lives.

There are other pharmaceutical industry actors, however, who are grossly detached from their profound responsibility – corporations that treat life-dependent drugs like any other commodity to be sold for the highest possible price, and at whatever cost to life and the greater economy.

I thank the Committee for raising this bill – and for recognizing the necessity to protect Connecticut patients.