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California Legislature Should Pass Bill Requiring Greater Transparency from Pharmaceutical Companies

Statement of Robert Weissman, President, Public Citizen

Note: This week, the California Legislature is expected to mark up Assembly Bill 463, the “Pharmaceutical Cost Transparency Act of 2015.” AB 463 would require drug manufacturers to file a report with the state of California documenting total costs of research and development, marketing and advertising, and materials and manufacturing for medications with a wholesale cost of more than \$10,000 a year, as well as profits attributable to qualifying drugs, among other information.

Our country sorely needs policies to rein in out-of-control pharmaceutical costs.

Pharmaceutical companies take advantage of the monopoly power provided them through government-granted patents and other exclusivities, and of public subsidies including tax breaks and research funding. Profit margins in the brand-name pharmaceutical industry currently average more than 16 percent. Yet the industry reveals little about what medications actually cost to develop.

The U.S. spends more per capita on pharmaceuticals than any other country in the world – 29 percent more, according to 2011 data from the Organization of Economic Cooperation and Development, the latest year for which such information is available.

Exorbitantly priced pharmaceuticals are straining health budgets and leading to treatment rationing, and data from a recently released IMS Health study show that the problem is only getting worse. The [study shows](#) that U.S. per capita medicine costs reached \$995 in 2014, up from \$832 per capita only a decade ago (both in 2005 dollars).

The new generation of Hepatitis C medicines is leading this spending surge. The U.S. spent \$12.3 billion last year to treat 161,000 people in a patient population estimated to be more than five million. To keep down costs, public and private payors are granting access only to patients showing the most advanced stages of liver damage, despite the health benefits of earlier treatment.

AB 463 would mark an important step toward bringing transparency to an opaque research and development system, as well as to other costs used by multinational pharmaceutical firms to justify extortionate pricing of medicines. Passing this bill would help push back against Big Pharma's price-gouging.

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