

California to require advanced notice on drug cost spikes

October 9 2017, by Kathleen Ronayne

Drug companies doing business in California will soon have to notify the public two months in advance of dramatic price spikes under legislation signed Monday by Gov. Jerry Brown.

California's legislation marks one of the strictest [drug](#) price transparency laws in the country, as states move to shine a spotlight on rapidly rising [costs](#) in the hopes of enticing [drug makers](#) to keep them down.

One in four Americans have trouble affording prescription drugs, according to the Kaiser Family Foundation. Price spikes in EpiPen and other critical drugs in recent years sparked outrage from consumers and lawmakers.

"This measure is a step at bringing transparency, truth, exposure to a very important part of our lives—that is the cost of prescription drugs," Brown said during a signing ceremony at the Capitol.

The pharmaceutical industry, though, has vociferously fought drug price transparency laws in California and across the country and helped kill similar legislation last year. Drug makers argue such bills will not do anything to meaningfully reduce costs and could hinder their ability to spend money on research and development.

"It's time to move beyond creating new, costly bureaucratic programs that don't make a dent in patients' costs for medicines," Priscille VanderVeer, deputy vice president of the Pharmaceutical Research and

Manufacturers of America, said in a statement.

Several states, including Vermont and Nevada, have passed transparency laws that require drug makers to disclose costs and the reasoning behind them. But California's bill is poised to have the most impact because of the size of the state's market and its strict requirements.

California's law applies to any [prescription drugs](#) that sell for a wholesale cost of more than \$40, including drugs purchased by the state for Medi-Cal and Medicare.

Drug companies must notify the state, health plans, insurers and pharmacy benefit managers 60 days in advance if a drug's price increases more than 16 percent over a two-year period. The manufacturer must specify if the price increase will improve the drug's effectiveness.

The legislation also ramps up annual disclosure requirements on overall pricing.

Democratic state Sen. Ed Hernandez, the bill's prime sponsor, said Congress should take a cue from California in taking similar steps to fight drug cost increases.

"We have to make this a priority not just in California but in the country," he said.

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