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February 19, 2021

To: Chair Liebling and Members of the House Health Finance & Policy Committee

From: Mary Jo George, AARP Minnesota

Re: HF 801; Establishment of a Prescription Drug Affordability Board (PDAB)

AARP strongly supports House File 801 (Rep. Morrison), which establishes a state drug affordability review board to ensure that prescription drug pricing are reasonable, justified and affordable for consumers. This proposal was one of the top strategies of the bi-partisan Blue Ribbon Commission charged with finding savings in the state budget.

The costs of prescription drugs continue to skyrocket in the U.S., even during a global pandemic, making it difficult for Minnesotans to afford their prescriptions. House File 801 will allow the Prescription Drug Affordability Board to review drug prices that pose an affordability challenge and set upper payment limits that apply throughout the health care system to protect consumers, state and local governments, providers and all stakeholders from escalating drug prices.

AARP members struggle every day to afford needed and life-saving medications. Moreover, older Minnesotans tend to take more drugs on average – typically 2 to 4 prescriptions to manage chronic conditions – so any increase can make the cost of these drugs unaffordable.

About 30 years ago, the public was outraged over a drug that cost less than \$10,000 per year. We now have drugs approaching \$1 million per year. The average annual retail cost of prescription drug therapy for a specialty drug was more than \$79,000 per year – a number above the median US household income and more than three times the median income for Medicare beneficiaries.

The overarching goal of the Affordability Board is to find the upper payment limit at which insurers, purchasers, and government programs can afford to provide the drug to everyone in the state who should get the drug. The goal of an upper payment limit is to *expand* sales and patient access, not to reduce manufacturer revenue.

We must move past the argument that any attempt to reduce prescription drug prices will halt innovation. AARP has no interest in solutions that truly hamper innovation. However, what we are seeing in the market today is innovation in name only. For example, 78% of the drug patents awarded between 2005 and 2015 were for existing drugs that had been recycled or repurposed.¹

¹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6534750/>



- Reviews have found that only about 2–31 percent of new drugs offer meaningful incremental benefits to patients.²
- We're also seeing manufacturers focus on already-crowded therapeutic areas that can command high prices.
- Creating a system that only rewards meaningful advances will lead to more innovation, not less.

We know high drug costs hurt everyone; not only those who rely on prescription drugs for their health and chronic conditions, but all of us who are paying higher premiums and out-of-pocket costs for health insurance as well as the taxpayers who help fund our public programs.

Efforts such as this bill and others introduced this session could save tens of billions of dollars for patients, taxpayers and our health care system. We urge your support of this important legislation.

Thank you in advance for your consideration.

² <https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.2020.00328>