



Testimony Relating to Prescription Drug Price Transparency Programs

From: Johanna Butler, Policy Associate, National Academy for State Health Policy (NASHP)
To: Minnesota House Health Finance & Policy Committee
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RE: HF 2930 & the Minnesota Rx Price Transparency Program (RxPT)

NASHP is a non-partisan forum of policymakers that works to develop and promote innovative health policy solutions. Our work is guided by state health officials across multiple agencies and offices – including executive and legislative branches of government – to solve problems, conduct policy analysis and research, and provide technical assistance. At state officials' request, NASHP established a [Center for State Rx Drug Pricing](#) to better understand prescription drug costs and understand their role as drivers of health care costs in 2017.

NASHP is neutral on specific legislation but supports state efforts to address prescription drug costs, with an ultimate goal of ensuring access to affordable medication. This testimony is intended to provide background on a [model policy](#) NASHP developed to increase prescription drug price transparency, similar to provisions in HF 2930.

Why focus on Transparency?

Drug price transparency laws enable state policymakers to understand opaque drug pricing and payment systems to formulate appropriate policy solutions to high prices, while also creating the data infrastructure to effectively realize those policy solutions. Since Vermont passed the first state drug price transparency law in 2016, more than a [dozen states](#), including Minnesota, have enacted and implemented similar laws. State-level transparency legislation shines light on drug pricing by requiring manufacturers and other supply chain entities such as prescription drug benefit managers (PBMs), health plans, and wholesalers to provide information on drug pricing. Transparency programs also establish accountability around price increases and added costs across the supply chain. The transparency provisions proposed in HF 2930 would expand the state's current program and reflect a comprehensive, iterative approach to this issue. The proposal builds on findings from Minnesota's first year of reporting and lessons learned from other state transparency programs.

States' Iterative Approaches to Transparency

Minnesota established the Rx Price Transparency program (RxPT) in 2020 and the program recently published the state's [first report](#) on data submitted by manufacturers. Like Minnesota, most state programs require reporting from manufacturers when they increase the cost of a drug above a certain threshold or if they introduce a drug with a high launch price. Several states also require reporting from insurers and pharmacy benefit managers. A few states extend reporting to other supply chain actors — pharmacy service administrative organizations (WA) and wholesale distributors (ME, NV, VA).



Several states, including Nevada and Maine, took measured approaches to transparency. While the programs were at first targeted at certain drugs or limited only to manufacturers, the programs have expanded over time. For example, the Maine’s transparency program first required a general report on prescription drug cost trends in 2018. In 2019, the program was [expanded](#) to include required reporting from manufacturers, PBMs, and wholesalers. Most recently, in 2021, the program was [changed](#) to give the state more flexibility in determining which drugs supply chain actors must report on – similar to the updated process outlined in Minnesota HF 2930.

With this new process, Maine has been able to investigate drugs that are of public interest but might not be captured in existing statutory thresholds. It also allows the state to understand net prices. Net prices are an important data point because they allow officials to understand what payers actually pay for a drug, after the application of rebates and other price concessions. The transparency provisions in HF 2930 could help Minnesota’s transparency program capture similar data.

Creating Accountability for High Costs Across the Supply Chain

Transparency programs can establish accountability around manufacturers’ high prices and help investigate high costs across the supply chain. Recognizing that high prescription drug costs are caused by activity across the supply chain, several state transparency programs look at entities beyond manufacturers to better understand market dynamics.

In its recent transparency report, RxPT highlighted that price increases reported to the state are likely to impact—at minimum—an estimated 41,000 people living in Minnesota. The transparency provisions in HF 2930 could help provide greater transparency across the supply chain and more data to understand net prices of these drugs. Data analysis and findings are limited through a focus only on manufacturers rather than the full supply chain. Other downstream entities—like PBMs, wholesalers, pharmacies, and payers—also contribute to the final price paid by consumers. The transparency provisions included in Minnesota HF 2930 would give the state insight into activity across the supply chain.

Data Infrastructure for Policy Solutions

In addition to establishing accountability, transparency programs can provide the necessary data infrastructure for the successful implementation of other efforts to lower drug prices. Since 2020, [several states](#) have enacted prescription drug affordability boards (PDAB), entities with the authority to review high cost drugs and in some states set an upper payment limit to ensure no one pays more than that amount in the state. A first step for a PDAB is often to review specific drug costs and gather the necessary data to better understand state-specific challenges. States with comprehensive transparency laws already in place may be better prepared to initiate and implement other cost-saving measures. Transparency can be seen not only as a steppingstone to future action, but often a necessary building block to sustain other efforts. The data gathered and expertise developed by transparency programs could be applied to any number of drug pricing policies beyond PDABs — direct negotiations for supplemental Medicaid rebates, implementing reference rates, or prohibiting price gouging.



Conclusion

As nearly [half of U.S. adults](#) struggle to afford health care services, many states are seeking to address the issue of high prescription drug costs. Drug price transparency programs are a building block for future policy action to lower costs. In introducing this legislation, Minnesota follows several states in building an iterative, comprehensive approach to drug price transparency – in particular Maine, Washington, and Oregon. The transparency provisions in HF 2930 align with NASHP’s model legislation and the approach of several other states. During the current state [legislative session](#),¹¹ other states have also proposed legislation to increase prescription drug price transparency.

I would be happy to provide follow-up information to answer any questions you may have and can be reached at jbutler@nashp.org. Thank you for the opportunity to share this information.

Respectfully,

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