



# **RUNAWAY**

## **AFFORDABLE PRICES FOR REAL CURES**

*[RunawayRx](#), a project of the California Association of Health Plans, highlights noteworthy articles and information on the acceleration of prescription drug pricing.*

*As the conversation swirls around the troubling trend of high priced specialty drugs, CAHP president and CEO Charles Bacchi offers his commentary in the [Sacramento Business Journal](#) addressing the real cause of high drug costs – skyrocketing prices.*

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### **The real cause of high drug costs: pricing**

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**By Charles Bacchi**

SACRAMENTO  
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JOURNAL**

Sara Radcliffe's Sept. 18 op-ed blaming insurance companies for "squeezing" consumers overlooks the central problem with prescription drug costs.

When a drug goes from \$13.50 to \$750 overnight — as we saw recently with the 62-year-old drug Daraprim — the problem is not prescription drug co-payments. The problem is the price.

Health plans share consumer concerns about sky-high drug prices, but capping co-pays doesn't make the drugs any cheaper. The caps merely shift the ever-increasing price of drugs into health premiums. We are not making any meaningful headway toward tackling runaway drug prices.

As employers and government payers struggle with climbing health care costs, the pharmaceutical industry continues to push the envelope with an escalation in pricing. Little explanation is offered as the prices of new and old drugs reach new heights.

The median price for the 100 top-selling drugs jumped from \$1,200 to \$9,000 in just four years. As spending slowed in other health care sectors in 2013, spending on prescription drugs grew more than three times faster than the prior year and faster than it has in more than a decade.

The state pays the health care tab for one-third of Californians through Medi-Cal. As a result, the state and taxpayer liability for increased drug costs runs well into the billions. Nationally, Medicare spent 15 times more in 2014 on Hepatitis C drugs than it did in 2013 due to the introduction of new medications priced at \$1,000 for just one pill.

We clearly have a price problem. Six-figure price tags on highly sought-after medications are placing an unsustainable burden on taxpayers, state budgets and employers. The Affordable Care Act brought transparency to nearly every corner of our health care system, with the exception of drug costs.

Health plans must spend 80 to 85 percent of every dollar on direct medical care and submit rate changes to state regulators for official public review. Hospitals in California provide pricing information to the state, and Medicare publishes cost and quality information on doctors. Yet there is a black box on drug pricing.

There is no doubt that Americans want affordable health care and expect to receive medical coverage for their most needed drugs. They also deserve answers to basic questions on how drugs are priced and why the exorbitant costs continue to rise.

In fact, a recent survey by the Kaiser Family Foundation revealed widespread public concern over the unreasonable cost of prescription medications and bipartisan support for greater transparency in how drug prices are set.

Answers today are elusive, but they don't have to be.

Assembly Bill 463, introduced by San Francisco Assemblyman David Chiu, is a reasonable step towards understanding how drugs are priced. The bill would require drug companies to report select information about costs behind the most expensive medications — those priced at more than \$10,000 per year.

Policymakers and consumers need this information to engage in real discussions about how to achieve more sustainable pricing.

Without it, we're all operating in the dark, and the drug makers will continue to raise prices with no accountability.

**Read more:** <http://www.bizjournals.com/sacramento/print-edition/2015/10/02/the-real-cause-of-high-drug-costs-pricing.html>

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*The California Association of Health Plans' RunawayRx project sheds light on the acceleration of prescription drug pricing and how it impacts health care affordability, encouraging a route toward sustainable pricing. For more information, please visit [www.RunawayRx.org](http://www.RunawayRx.org) or follow us on Twitter at [@Runaway\\_Rx](https://twitter.com/Runaway_Rx).*