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Media Contact

Kim Ericksen for RunawayRx
(916-804-5286)

First SB 17 Drug Cost Increase Report Reveals a 25% Median Increase for All Reported Drugs

Over Two-Thirds of Drug Manufacturers Provide No Explanation for their Price Increases

September 24, 2019, Sacramento, Calif. – The first major quarterly report providing wholesale drug cost increase information on existing prescription drugs issued by the [Office of Statewide Health Planning and Development \(OSHPD\)](#) was released and made available to the public for the first time yesterday. The report is a result of the passage of Senate Bill 17 (Hernandez) - California's landmark drug price transparency bill that became law in 2017.

California led the nation when it passed this first-of-its-kind prescription drug price transparency legislation designed to hold pharmaceutical manufacturers to similar reporting standards as others in the health care industry. SB 17 implemented a new era of public reporting on egregious prescription drug price hikes that other states have followed.

Yesterday's data release is significant, as it is the first time the public will have access to drug cost increases on existing drugs.

"This is big for consumers who for the first time ever get a closer look into Big Pharma's pricing tactics. Unfortunately, this report also reveals something we have long suspected – the drug manufacturers, for the most part, cannot justify their egregious cost increases that drive up the cost of health care for all," said former Senator Ed Hernandez. "They've long attributed their eye-popping price increases to research and development or to overhead costs, but the limited justification information provided in the report released by OSHPD this week shows us that's simply not the case. The work to hold pharmaceutical manufacturers accountable must continue."

OSHPD's report found that there "was a three-year median increase of more than 25% in wholesale cost for all reports, equivalent to an 8% annual increase, while the nation experienced 2% annual inflation for the same period."

"Although we are pleased that California is leading the way by giving consumers their first glimpse into Pharma's pricing tactics, we are disappointed by the lack of explanation they provided for their skyrocketing increases on numerous life-sustaining prescription drugs," said CAHP President and CEO, Charles Bacchi. "Clearly, they are unable to explain their outsized prices that are driving up the cost of health care for everyone."

Results in the report show significant increases in drug prices, but in over two-thirds of the cases, the manufacturers provided no information to justify these price hikes. For example, the report shows that many different manufacturers, including Egalet, Endo Pharmaceuticals, Akorn, Sun Pharmaceuticals, and Laboratoire HRA Pharma reported large price increases up to over 100%, but the section for cost increase factors was simply left blank.

- Zorvolex, a pain reliever to treat migraines manufactured by Egalet US, Inc., increased by 70%, jumping from \$383 to \$650 in just three years.
- Another pain reliever manufactured by Egalet, Tivorbex, that treats Rheumatoid Arthritis increased by 42% with no reasoning behind the jump;
- Cancer treatment drug, Lysodren Mitotane, went from \$480 in 2017 to \$839, an increase of 75%
- Endo Pharmaceuticals' Oxycodone pain reliever saw an increase of 15%.
- Tetracaine, a pain reliever manufactured by Akorn Inc. increased by 110%, going from \$904 to \$1899
- Absorica, a popular drug used to treat severe acne manufactured by Sun Pharmaceuticals increased by over 22%
- Endo Pharmaceutical's Lidocaine went up by 15%
- High blood pressure medication Guanfacine, manufactured by Amneal Pharmaceuticals, increased by over 200%, going from \$28.60 to \$87 – with reasons for the increase pointing to “manufacturing costs and market conditions.”

In the [report released by OSHPD](#), pharmaceutical manufacturers were asked to identify their justification for price increases. While some companies complied with the regulation in limited amounts, over two-thirds simply declined to include reasons for the drug price increases.

Under SB 17, drug manufacturers are now required by law to provide OSHPD with information on their pricing when the increase is greater than 16%, as well as drug price increase information on the drug that occurred within the previous two calendar years prior to the current year, the prior year's marketing budget for the drug, and information on improved clinical efficacy of the drug. OSHPD will publish this information on its website within 60 days of receipt on a quarterly basis. In January, 2018, drug manufacturers began providing purchasers with 60-days advanced notice of increased drug prices. Advance notice of drug cost increases will clear the path for purchasers, plans, and policymakers to make health care more affordable for consumers by:

- Allowing more time for high drug price negotiations
- Creating downward pressure on drug prices
- Accounting for drug spending to plan budgets appropriately

For more information about SB 17, visit RunawayRx.com.