



DRUG PRICING TRANSPARENCY
TO ADDRESS SKYROCKETING
PRESCRIPTION DRUG PRICES

The FAIR Drug Pricing Act
Senators Tammy Baldwin and Mike Braun

The bipartisan *Fair Accountability and Innovative Research (FAIR) Drug Pricing Act* takes steps to address skyrocketing prescription drug prices by requiring basic transparency for pharmaceutical corporations that increase drug prices over a certain threshold or price their drugs above median family income.

Drug corporations are making prescription drugs more and more expensive with no systematic transparency to taxpayers.

- Over one quarter of Americans struggles to pay for the cost of their prescription medications.ⁱ
- According to a report from the Department of Health and Human Services, from July 2021-July 2022, there were 1,216 products that experienced price increases greater than inflation, with an average increase of almost four times the inflation rate.ⁱⁱ
- More than 15 percent of patients report either delaying a refill after running out of medications or rationing medications due to cost.ⁱⁱⁱ
- In January of 2022, drug makers increased prices on over 800 different drugs.^{iv}
- The COVID-19 pandemic helped drive earnings for drug makers. In 2022, Pfizer's earnings rose to a record \$100 billion, almost \$57 billion of which was driven by its vaccine and antiviral pill.^v
- The price of top-selling anti-inflammatory drug Humira rose from about \$19,000 in 2012 to more than \$83,000 in 2023.^{vi}
- Celgene launched Revlimid in 2005 at a price of \$215 per pill. The company has increased the price of the drug more than 20 times, and it now costs more than \$810 per pill, or more than \$17,010 per month.^{vii}
- Prices for new drugs have also increased exponentially. According to research published in the Journal of the American Medical Association, from 2008 to 2021, launch prices for new drugs increased by 20 percent per year; in 2021 the median annual price of a new drug was over \$180,000.^{viii}

American families, taxpayers and our health care system are footing the bill for these prices and struggling to afford needed medications

- Taxpayers continue to pay more each year because of the rising costs of drugs. Medicare accounts for 32 percent of spending on retail prescription drugs and 21 percent of national health spending.^{ix}
- In 2019, Medicare Part D spent a total of \$183 billion, while Medicare Part B spent \$37 billion. For both Part B and Part D, spending was highly concentrated on the most expensive drugs. For example, the top 50 drugs ranked by total spending accounted for 80 percent of total Part B drug spending.^x
- Prices increased faster than inflation for half of all drugs covered by either Medicare Part B or Part D between 2019 and 2020.^{xi}

The FAIR Drug Pricing Act brings transparency to drug prices.

The FAIR Drug Pricing Act would require drug manufacturers to notify the U.S. Department of Health and Human Services (HHS) and submit a transparency and justification report 30 days before they increase the price

of certain drugs that cost at least \$100 by more than 10 percent over one year or 25 percent over three years. For drugs that have a list price that is higher than median family income, or \$70,784 in 2021, manufacturers will also be required to submit a transparency and justification report. The report will require manufacturers to provide a justification for each price increase, or their high list price, and provide detailed information on the following: the manufacturing, research and development costs for the qualifying drug; net profits attributable to the qualifying drug; marketing and advertising spending on the qualifying drug; and other information as deemed appropriate. The bill will not prohibit manufacturers from increasing prices, but it will for the first time give taxpayers additional information of how drug prices are initially determined and notice of price increases. The bill also helps address high launch prices by requiring manufacturers to provide justification for prices set above median family income. The FAIR Drug Pricing Act brings basic transparency to the market for prescription drugs.

HHS will make all of the information from these reports publicly available within 30 days in an understandable online format, and will submit an annual report to Congress summarizing the information submitted by drug manufacturers.

The FAIR Drug Pricing Act is supported by a number of stakeholders including the Campaign for Sustainable Rx Pricing; Patients For Affordable Drugs Now; Blue Shield of California; Marshfield Clinic Health System; AARP; National Multiple Sclerosis Society; and Alliance for Community Health Plans.

ⁱ <https://www.kff.org/health-costs/poll-finding/public-opinion-on-prescription-drugs-and-their-prices/>

ⁱⁱ <https://aspe.hhs.gov/sites/default/files/documents/d850985c20de42de984942c2d8e24341/price-tracking-brief.pdf>

ⁱⁱⁱ <https://www.goodrx.com/healthcare-access/research/medication-debt-survey-2021>

^{iv} <https://www.goodrx.com/healthcare-access/research/january-2022-drug-increases-recap>

^v <https://www.cnbc.com/2023/01/31/the-covid-pandemic-drives-pfizers-2022-revenue-to-a-record-100-billion.html>

^{vi} <https://www.reuters.com/business/healthcare-pharmaceuticals/abbvies-humira-gets-us-rival-costs-could-stay-high-2023-01-31/>

^{vii} <https://www.pharmacychecker.com/revlimid/#us-prices>

^{viii} <https://jamanetwork.com/journals/jama/fullarticle/2792986>

^{ix} <https://www.kff.org/medicare/issue-brief/what-to-know-about-medicare-spending-and-financing/>

^x <https://www.kff.org/medicare/issue-brief/relatively-few-drugs-account-for-a-large-share-of-medicare-prescription-drug-spending/>

^{xi} <https://www.kff.org/medicare/issue-brief/prices-increased-faster-than-inflation-for-half-of-all-drugs-covered-by-medicare-in-2020/>