



# Can states solve the problem of drug costs?

By David Levine | February 27, 2017

Amid many stories of rising healthcare spending in 2016, one theme stood out: soaring pharmaceutical costs. A study sponsored by the American Hospital Association and the Federation of American Hospitals found that annual inpatient drug spending jumped an average of 23.4 percent between 2013 and 2015, and 38.7 percent on a per-admission basis.

Consumers are feeling the burden, as well: In a recent Kaiser Family Foundation survey, 77 percent of respondents said prescription drug costs are unreasonable, and 82 percent backed giving Medicare the power to negotiate drug prices.

And with uncertainty shadowing national healthcare policy, some are looking to individual states for relief. The Maryland Citizens' Health Initiative is encouraging lawmakers to consider one possible path. Its Health Care for All! Coalition of more than 1,200 religious, labor, business, and policy groups is urging the state legislature to rewrite the laws governing drug pricing.

"We aren't targeting pharma," says Matthew Celentano, deputy director of the MCHI Education Fund. "We think they are doing lifesaving,

innovative work. We also think more can be done to provide more affordable options for Maryland patients. The value of these drugs if we can't afford them is zero."

Still, the group's Prescription Drug Affordability Initiative would make major changes in the way pharmaceutical companies do business in Maryland – and, if passed, would be the first law of its kind in the nation.

One bill would require major drug corporations to disclose the basis for the prices of their prescription drugs – including generic, name-brand, and specialty drugs – in a timely fashion. Transparency would include how much the companies spend on production, research, marketing, and profits.

"We have no idea why drugs cost what they cost," Celentano says. "The first step helps us to get a clearer picture of why the price is what it is."

The proposal would also require major drug corporations to provide prior public notice of plans for a 10 percent or greater increase in the wholesale price of any name-brand or specialty drug that costs over \$2,500 per year.

This “gives consumers a better chance to shop around and businesses a chance to renegotiate their contracts,” Celentano says.

Another bill would authorize the attorney general’s office to take legal action to prevent price gouging by major drug corporations, says Celentano, “so we don’t see these insane, unjustifiable price increases.”

Pharmaceutical industry lobbyists have complained that the bills would slow down the creation of new drugs, forcing drug companies to release trade secrets and diminish their competitive advantages.

But some lawmakers and Maryland’s attorney general are on board. The measures are expected to be formally proposed in the legislative session that opened on January 11.

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