



August 16, 2017

The Honorable Ed Hernandez
Member, California State Senate
State Capitol, Room 2080
Sacramento, CA 95814

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John F. O'Malley

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**SUBJECT: SB 17 (HERNANDEZ) PRESCRIPTION DRUGS:
PRICING TRANSPARENCY – SUPPORT
ASSEMBLY APPROPRIATIONS COMMITTEE**

Dear Senator Hernandez:

The California Association of Health Underwriters (CAHU) is pleased to **SUPPORT SB 17**, as amended July 20, 2017, which would provide detailed information on the impacts that rising prescription drugs have on health care premiums by requiring the Department of Managed Health Care (DMHC) and the Department of Insurance (DOI) to annually report on related data gathered from health plans and insurers. This bill also promotes transparency in the health care system by requiring drug manufacturers to give prior notice to purchasers before raising prices.

SB 17 requires health plans to annually report to the DMHC or DOI data related to covered prescription drugs. That data will then be compiled annually by DMHC and CDI and shared with legislators and the public. This data will outline the overall impacts of increasing drug costs on health care premiums, the 25 most frequently prescribed medications, the 25 most costly drugs by total plan spending, and prescription drugs with the highest yearly increase in net cost. This information is a critical first step to understand and control sky rocketing prescription drug costs.

Rising drug prices have been a driving factor in the rapidly increasing costs of health care many years. A Kaiser Family Foundation analysis of data from the Centers for Medicare and Medicaid Services and Truven Health Analytics shows that while drugs account for 10 percent of U.S. health spending, it represents 19 percent of the cost of employer insurance benefits. There is very little transparency in the process of pricing drugs, and more information is needed in order to understand the true impact on the stability of the healthcare market and affordability for consumers.

CAHU is proud of their role in the significant gains California has made in reducing our state's number of uninsured over the past several years. CAHU firmly believes **SB 17** will help to sustain this progress by addressing the affordability of health care and a key cost driver that impacts the price of coverage. Managing drug costs and price transparency are critical for long-term quality, access and affordability of healthcare.

The California Association of Health Underwriters is the state's largest association of health insurance agents, brokers and other health insurance industry professionals. Our members help millions of individual Californians and businesses evaluate, select,

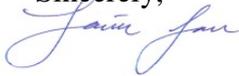
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purchase and use their health care coverage plans, resulting in greater health and financial security. CAHU agents and brokers also act as advocates for policyholders and their families when coverage disputes arise. CAHU agents and brokers also perform many functions for small employers with respect to managing their employee benefits program--at no additional cost to the small employer.

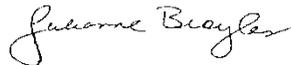
For these reasons and more, CAHU looks forward to working with you and your staff in **SUPPORT** of **SB 17**. To reach Faith Lane, call 916-441-5050 and to reach Juli Broyles, call 916-601-2910.

Sincerely,



Faith Lane

On behalf of the California Association of Health Underwriters



Julianne Broyles

cc: Chair and Members, Assembly Appropriations Committee
Lisa Murawski, Consultant, Assembly Appropriations Committee
Frank Prewoznik, Consultant, Assembly Republican Caucus