



For more information, contact:  
Bridget Quinn: (973) 945-2210  
bquinn@aarp.org  
Leigh Purvis: 202-434-3902  
lpurvis@aarp.org

**Before the ME Health Coverage, Insurance, and Financial Services  
Committee  
Support LD1636 to Reduce Prescription Drug Costs by Using International  
Pricing  
February 15, 2022  
Testimony of Leigh Purvis, Director of Health Care Costs & Access,  
AARP Public Policy Institute**

Good morning, Senator Sanborn, Representative Tepler, and members of the Health Coverage, Insurance and Financial Services Committee. My name is Leigh Purvis and I am the Director of Health Care Costs and Access in AARP's Public Policy Institute, where I am responsible for AARP policy around prescription drug issues.

Thank you for the opportunity to testify in support of LD1636, which would allow Maine to utilize international reference pricing for prescription drugs. We applaud Senator Claxton for championing this critical legislation and strongly believe that LD1636 takes a major step forward in beginning to address the skyrocketing prices of prescription drugs in Maine.

I thought it would be helpful to start off with a bit of background that will explain why AARP is so interested in this issue. Quite simply, it's the prices. We used to think it was shocking when prescription drugs cost as much as a small car; we now have drugs that cost more than most people's homes.

High prescription drug prices hit older Americans particularly hard. On average, Medicare Part D enrollees take between four and five prescriptions per month, often for chronic conditions that will require treatment for the rest of their lives. At the same time, Medicare beneficiaries have a median annual income of just under \$30,000. One-quarter have less than \$8,500 in savings.<sup>1</sup> This population simply does not have the resources to absorb rapidly escalating prescription drug prices and many are facing the very real possibility of having to choose between their medication and other basic needs such as food or housing.

Unfortunately, there is no sign that prescription drug prices will become any less outrageous in the future. High-priced specialty drug approvals have exceeded traditional drug approvals for over a decade and the number of people using such drugs is growing.

---

<sup>1</sup> <https://www.kff.org/medicare/issue-brief/medicare-beneficiaries-financial-security-before-the-coronavirus-pandemic/>

It's also important to keep in mind that high launch prices are just the beginning; drug prices typically continue to grow even after the drugs enter the market. AARP Public Policy Institute's latest Rx Price Watch report found that the retail prices for 180 widely used specialty prescription drugs increased at more than three-and-a-half times the rate of inflation in 2020.<sup>2</sup> And to be clear—this isn't a one-time problem. The average annual increase in retail prices for the products that we study has exceeded the corresponding rate of inflation every year since at least 2006.

Our report also found the average annual cost of therapy for a single specialty prescription drug is now over \$84,000 per year. This average annual cost was almost \$20,000 higher than the median US household income (\$65,712); nearly three times the median income for Medicare beneficiaries (\$29,650); more than four-and-a-half times higher than the average Social Security retirement benefit (\$18,530). It was also 13 times higher than the average annual price of therapy for brand name prescription drugs during the same time period (\$84,442 v. \$6,604, respectively). In other words, we are now facing prescription drug prices that exceed what many people make in a year.

Notably, our analysis also found that the average annual cost for a single specialty prescription drug would have been just under \$40,000, or more than \$45,000 lower, if retail price changes had been limited to general inflation between 2006 and 2020.

Meanwhile, research has consistently demonstrated that people in other industrialized countries are paying considerably less for the exact same brand name prescription drugs. For example, a recent report found that, on average, a brand name pill that costs \$10 in the U.S. would cost about \$3.50 in Canada.<sup>3</sup> There is no justifiable reason for such price differences.

Using other countries' lower prescription drug prices to set upper payment limits for drugs purchased in Maine will help ensure that Mainers no longer have to pay among the highest drug prices in the world and lead to substantial state savings. This approach is under consideration in a growing number of states and was also embraced by the Trump Administration as a way to reduce spending under the Medicare program.<sup>4</sup>

The idea behind international reference pricing is also very popular with the public. According to a recent poll commissioned by AARP, 77 percent of older Americans support preventing drug companies from charging more for drugs in the U.S. than they do in other countries, with little variation across political parties.<sup>5</sup> And as we always like to point out, there are very few things that the public agrees on these days.

AARP also appreciates that this approach gets at the heart of the problem—the prices set by drug manufacturers. While we understand that there are always efficiencies to be gained in a system that's worth hundreds of billions of dollars, it's also important to recognize that a great deal of effort has been

---

<sup>2</sup> <http://www.aarp.org/rxpricewatch>

<sup>3</sup> [https://www.rand.org/pubs/research\\_reports/RR2956.html](https://www.rand.org/pubs/research_reports/RR2956.html)

<sup>4</sup> <https://innovation.cms.gov/innovation-models/most-favored-nation-model>;  
<https://www.govinfo.gov/content/pkg/DCPD-202000678/pdf/DCPD-202000678.pdf>

<sup>5</sup> <https://www.aarp.org/research/topics/health/info-2021/drug-prices-older-americans-concerns/>

devoted to diverting attention to other parts of the drug supply chain over the past several years. The reality is that drug companies and drug companies alone are responsible for setting drug prices, and the most effective solutions will reflect that fact.

There is also no reason to believe that international reference pricing will negatively impact research and development. Most of the important new drugs from the past 60 years were developed with the aid of public sector research that will not be affected by this legislation.<sup>6</sup> For example, NIH-funded research played a role in all 210 new drugs approved between 2010 and 2016.<sup>7</sup> Further, evidence indicates that leading drug companies spend more on stock buybacks, dividends, and executive compensation than they do on research and development.<sup>8</sup>

Similarly, research has consistently demonstrated that there is no correlation between drug prices and innovation, and older Americans agree: 8 in 10 say that drug prices can be lowered without harming innovation, with little variation across political parties.<sup>9</sup>

AARP strongly urges the committee to remain mindful that high and growing prescription drug prices are affecting all Mainers in some way. Their cost is passed along to everyone with health coverage through increased health care premiums, deductibles, and other forms of cost-sharing.

We have also seen massive increases in prescription drug spending under public programs like Medicare and Medicaid. These escalating costs will eventually affect all of us in the form of higher taxes, cuts to public programs, or both.

In other words: every single person reading this is paying for high prescription drug prices, regardless of whether you are taking medicine yourself.

Current prescription drug price trends are not sustainable or manageable, especially when so many Mainers are already struggling with lost income, jobs, and health care coverage due to the COVID-19 pandemic. It is not fair or right to ask patients and taxpayers to continue spending millions of dollars on prescription drugs that have been priced on the basis of what the market will bear. Thoughtful efforts to help reduce prescription drug prices could save Maine millions of dollars. More importantly, they will help ensure that all patients have affordable access to the drugs that they need to get and stay healthy.

We urge the committee to stand with AARP and move this important legislation forward, and again thank Senator Claxton for his leadership. We look forward to working with you and the members of the committee to see LD1636 enacted.

Thank you again for having me, and I look forward to your questions.

---

<sup>6</sup> <https://aspe.hhs.gov/system/files/aspe-files/263451/2020-drug-pricing-report-congress-final.pdf>

<sup>7</sup> <https://www.pnas.org/content/115/10/2329>

<sup>8</sup> <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/COR%20Staff%20Report%20-%20Pharmaceutical%20Industry%20Buybacks%20Dividends%20Compared%20to%20Research.pdf>

<sup>9</sup> <https://www.aarp.org/research/topics/health/info-2021/drug-prices-older-americans-concerns.html>