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ISSUE BRIEF

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Nevada proposal to regulate excess costs are price controls by another name

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Senate Bill 265 would require pharmaceutical firms to reimburse insurers for any "excess costs" associated with drugs for diabetes, which are defined as the excess costs over the highest price in other developed countries. The Fiscal Notes on SB 265 estimate that the ***biennial cost on the state from this bill is $12 million.***[1]

SB 265 establishes price controls in Nevada

By claiming the right to define when costs are excessive, this bill dictates what drug companies can charge for diabetes medications – it is a creative way to impose price controls. *De facto price controls will impose heavy costs on Nevada* that include higher health care costs and lower health care quality.

Unlikely that consumers will share in the savings

The high burden to receive the rebates on certain diabetes medications makes it unlikely that consumers will receive much of these funds. Instead, the rebates will likely be an unwarranted income transfer to insurance companies that would be paid on top of the *discounts that private insurers already receive, which, on average, reduce a drug's list price by 31 percent*. SB 265 simply adds to these discounts, enriching insurance companies at the expense of drug innovation and, over the long-term, patient health.

Harms research

The legislation dis-incentivizes funding for future pharmaceutical research, particularly if other states follow Nevada's lead, depriving patients of medical innovation. Investing in drug research is enormously risky. The average drug costs roughly $2.6 billion and more than a decade to bring to market.[2] Not surprisingly, most medicines never make back their upfront investment costs or even make it to market. Bills like SB 265 make it even more difficult for drug companies to recoup their research costs. The result would be a significant reduction in funding for the development of new medicines, as investors would flee to more predictable industries or locations.

SB 265 will not "bend the cost curve"

Despite the headlines about a handful of high-priced drugs, pharmaceuticals represent a small portion of overall medical costs. Nationwide, about 10 percent of all health spending goes toward prescription drugs, according to the Centers for Disease Control and Prevention. That's roughly the same share as in 1960.[3]

Supporters of SB 265 claim the bill will save patients money at the pharmacy counter. In reality, it would boost insurance industry profits and hurt patients.

[1] https://www.leg.state.nv.us/App/NELIS/REL/79th2017/Bill/5206/FiscalNotes.

[2] http://csdd.tufts.edu/news/complete_story/tufts_csdd_rd_cost_study_now_published.

[3] https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html. See Table 2 in the NHE Tables Zip file.