



Charles N. Kahn III
President and CEO

April 8, 2019

The Honorable Richard Neal
Chairman
House Ways & Means Committee
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
House Ways & Means Committee
1139 Longworth House Office Building
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady,

The Federation of American Hospitals (FAH) is the national representative of more than 1,000 investor-owned or managed community hospitals and health systems throughout the United States. Our members include teaching and non-teaching, short-stay acute, inpatient rehabilitation, long-term acute care, psychiatric and cancer hospitals in urban and rural America, and provide a wide range of acute, post-acute and ambulatory services. We write to thank the House Ways & Means Committee (Committee) for the bipartisan work it is undertaking to address the rising cost of prescription drugs and we support the Prescription Drug Sunshine, Transparency, Accountability and Reporting (STAR) Act. We believe the Committee's action is an important step in beginning to find solutions to lower prescription drug costs for patients.

The rising cost of pharmaceuticals is an issue that hospitals are working to manage on a daily basis as evidenced by the study the FAH published with the American Hospital Association (AHA) and the American Society of Health-System Pharmacists (ASHP) in early 2019.¹ According to the study, average total drug spending per hospital admission increased by 18.5 percent between FY2015 and FY2017. Further, the report found that outpatient drug spending per admission increased by 28.7 percent while inpatient drug spending per admission increased by 9.6 percent during the same time period. The 2019 report is a follow-on to a similar report completed in 2016 by the FAH and AHA that found that average annual inpatient drug spending increased by 23.4 percent between FY 2013 and FY 2015 and 38.7 percent on a per admission basis over the same time period².

¹ Recent Trends in Hospital Drug Spending and Manufacturer Shortages; January 15, 2019;
https://fah.org/fah-ee2-uploads/website/documents/AHA_Drug_Pricing_Study_Report_FINAL_01152019.pdf

² Trends in Hospital Inpatient Drug Costs: Issues and Challenges; October 11, 2016;
https://www.aha.org/system/files/2018-01/aha-fah-rx-report_0.pdf

These reports show that hospital budget pressures resulting from the continued dramatic increases in drug prices have negative impacts on patient care. Our earlier research identified rising drug prices as the primary driver of increased spending. These price increases are inconsistent and unpredictable: large unit price increases occurred for both low- and high-volume drugs and for both branded and generic drugs.

Given the opaqueness of drug pricing as evidenced by our study's findings, we agree with the Committee that a measure of transparency will provide consumers with important information that will help inform their understanding of the costs associated with prescription drugs – costs that are often not apparent to consumers, especially when those drugs are administered through a provider.

Improving transparency in prescription drug pricing is an important component to making prescription drugs more affordable for consumers and we applaud the Committee for these first steps. We look forward to working with you as you explore additional ways to lower the price of prescription drugs for our patients.

Sincerely,

A handwritten signature in black ink, written in a cursive style. The signature is somewhat stylized and difficult to read, but appears to be a name followed by a title or organization. The signature is centered below the word "Sincerely,".