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(Original Signature of Member)

115TH CONGRESS
2D SESSION

H. R.

To significantly lower prescription drug prices for patients in the United States by ending government-granted monopolies for manufacturers who charge drug prices that are higher than the median prices at which the drugs are available in other countries.

IN THE HOUSE OF REPRESENTATIVES

Mr. KHANNA introduced the following bill; which was referred to the Committee on _____

A BILL

To significantly lower prescription drug prices for patients in the United States by ending government-granted monopolies for manufacturers who charge drug prices that are higher than the median prices at which the drugs are available in other countries.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Prescription Drug
5 Price Relief Act of 2018”.

1 **SEC. 2. IDENTIFICATION OF EXCESSIVELY PRICED DRUGS.**

2 (a) IN GENERAL.—The Secretary, not later than 1
3 year after the date of enactment of this Act, shall establish
4 a process to conduct a review of all brand name drugs,
5 not less frequently than once per calendar year, under
6 which the Secretary determines under subsection (b)
7 whether the price of each such drug is excessive.

8 (b) EXCESSIVE PRICE DETERMINATIONS.—

9 (1) INTERNATIONAL REFERENCE PRICE.—

10 (A) IN GENERAL.—The Secretary shall de-
11 termine that any brand name drug for which
12 the domestic average manufacturing price ex-
13 ceeds the median price charged for such drug in
14 the 5 reference countries to have an excessive
15 price. In assessing the extent to which the price
16 is excessive, the Secretary shall consider the
17 factors described in paragraph (2).

18 (B) REFERENCE COUNTRIES.—In this Act,
19 the term “reference countries” means Canada,
20 the United Kingdom, Germany, France, and
21 Japan.

22 (C) REQUIREMENT WITH RESPECT TO
23 DRUGS FOR WHICH CERTAIN REFERENCE COUN-
24 TRY INFORMATION IS NOT AVAILABLE.—The
25 Secretary shall make a determination under
26 paragraph (1) for every brand name drug for

1 which pricing information is available for at
2 least 3 of the 5 reference countries.

3 (2) DETERMINATIONS BASED ON OTHER FAC-
4 TORS.—With respect to any brand name drug that
5 is not determined to have an excessive price by oper-
6 ation of paragraph (1) (including any drug for which
7 there is insufficient data to make such a determina-
8 tion under such paragraph), the Secretary shall de-
9 termine that such drug has an excessive price if the
10 price of the drug is higher than reasonable taking
11 into account the following factors:

12 (A) The size of the affected patient popu-
13 lation.

14 (B) The value of the drug to patients, in-
15 cluding the impact of the price on access to the
16 drug and the relationship of the price of the
17 drug to its therapeutic health benefits.

18 (C) The risk adjusted value of Federal
19 Government subsidies and investments related
20 to the drug.

21 (D) The costs associated with development
22 of the drug.

23 (E) Whether the drug provided a signifi-
24 cant improvement in health outcomes, com-

1 pared to other therapies available at the time of
2 its approval.

3 (F) The cumulative global revenues gen-
4 erated by the drug.

5 (G) Whether the domestic average manu-
6 facturer price of the drug increased during any
7 annual quarter by a percentage that is more
8 than the percentage increase in the consumer
9 price index for all urban consumers for the re-
10 spective annual quarter.

11 (H) Other factors the Secretary determines
12 appropriate.

13 (c) PETITION FOR DETERMINATION.—

14 (1) IN GENERAL.—Any person may petition the
15 Secretary, in accordance with section 553(e) of title
16 5, United States Code, to make an excessive drug
17 price determination for an applicable drug under
18 subsection (b)(2). Not later than 90 days after the
19 date of receipt of such a petition, subject to para-
20 graph (2), the Secretary shall—

21 (A) make a determination under subsection
22 (b)(2) regarding such drug; or

23 (B)(i) decline to make such a determina-
24 tion; and

1 (ii) make public the reasons why the Sec-
2 retary has declined to make such a determina-
3 tion.

4 (2) EXCEPTION.—The Secretary shall not make
5 a determination under subsection (b)(2) for a drug
6 in response to a petition under this section more fre-
7 quently than once per calendar year.

8 (3) PUBLIC AVAILABILITY.—The Secretary
9 shall make any petitions submitted under this sub-
10 section, together with any documentation related to
11 the petitions and the Secretary's determinations on
12 such petitions and rationale for such determinations,
13 publicly available, including by posting such informa-
14 tion on the database under section 5.

15 **SEC. 3. ENDING GOVERNMENT-GRANTED MONOPOLIES FOR**
16 **EXCESSIVELY PRICED DRUGS.**

17 (a) EXCESSIVE DRUG PRICE AUTHORITY.—With re-
18 spect to any brand name drug, if the Secretary determines
19 under section 2 that the price of the drug is excessive,
20 the Secretary—

21 (1) shall waive or void any government-granted
22 exclusivities with respect to such drug, effective on
23 the date that the excessive price determination under
24 section 2 is made for such drug; and

1 (2) shall grant open, non-exclusive licenses al-
2 lowing any person to make, use, offer to sell or sell,
3 or import into the United States such drug, and to
4 rely upon the regulatory test data of such drug, in
5 accordance with section 4.

6 (b) **EXPEDITED REVIEW.**—The Secretary shall
7 prioritize the review of, and act within 8 months of the
8 date of the submission of a generic drug application or
9 a biosimilar biological product application if such applica-
10 tion references a drug licensed under subsection (a)(2).

11 **SEC. 4. EXCESSIVE DRUG PRICE LICENSE.**

12 (a) **REASONABLE ROYALTY.**—

13 (1) **IN GENERAL.**—An entity accepting an open,
14 non-exclusive license under section 3(a)(2) shall pay
15 a reasonable royalty to the holder of a patent that
16 claims the drug or that claims a use of the drug or
17 to the holder of an application approved under sub-
18 section 505(c) of the Federal Food, Drug, and Cos-
19 metic Act or section 351(a) of the Public Health
20 Service Act for which any government-granted exclu-
21 sivity with respect to the drug was terminated under
22 section 5(a)(1).

23 (2) **ROYALTY RATE.**—Such royalty rate shall
24 be—

1 (A) a percentage of sales, where the per-
2 centage rate is no higher than the average roy-
3 alty rate estimated from the data provided by
4 the Internal Revenue Service for pharma-
5 ceutical manufacturer Federal income tax re-
6 turns; or

7 (B) a percentage of sales of the drug, as
8 determined by the Secretary, taking into ac-
9 count—

10 (i) the value of the drug to patients;

11 (ii) the size of the affected patient
12 population;

13 (iii) the risk adjusted value of the
14 Federal Government subsidies and invest-
15 ments related to the drug;

16 (iv) whether the drug provided a sig-
17 nificant improvement in health outcomes,
18 compared to other therapies available at
19 the time of the approval;

20 (v) the extent to which the brand
21 name drug manufacturer has recovered
22 risk adjusted investments related to the
23 drug, including the investments related to
24 the invention, regulatory test data and any

1 other relevant research and development
2 costs; and

3 (vi) any other information the Sec-
4 retary determines appropriate.

5 (b) REQUIREMENTS.—

6 (1) IN GENERAL.—A royalty rate under sub-
7 section (a) shall be consistent with making drugs
8 available to purchasers, including Federal, State,
9 local, and nongovernmental purchasers and individ-
10 uals, at prices that are affordable and reasonable.
11 Under no condition shall a royalty be set at a rate
12 that would cause a product for which an open, non-
13 exclusive license was issued under section 3 to be
14 sold at an excessive price, as determined under sec-
15 tion 2.

16 (2) MULTIPLE AFFECTED PARTIES.—In the
17 case that there is one or more holders or investors
18 in the patented inventions related to the drug in ad-
19 dition to the brand name manufacturer, the royalty
20 rate shall be divided among the holders or investors
21 (including such manufacturer) in a manner agreed
22 upon by the manufacturer and other holders or in-
23 vestors, or, in the absence of such an agreement, in
24 a manner the Secretary determines to be appro-
25 priate.

1 **SEC. 5. PUBLIC EXCESSIVE DRUG PRICE DATABASE.**

2 (a) EXCESSIVE DRUG PRICE DATABASE.—

3 (1) IN GENERAL.—The Secretary shall establish
4 and maintain a comprehensive, up-to-date database
5 of brand name drugs and the excessive price deter-
6 minations for such drugs under section 2.

7 (2) CONTENTS.—The database shall include, at
8 a minimum, for each brand name drug, for the ap-
9 plicable calendar year—

10 (A) the name of the drug;

11 (B) the manufacturer;

12 (C) whether the drug was determined
13 under section 2(b) to have an excessive price;

14 (D) the number of petitions the Secretary
15 received under section 2(c) to make an exces-
16 sive price determination for the drug, together
17 with the information described in section
18 2(c)(3);

19 (E) the number of open, non-exclusive li-
20 censes the Secretary has granted under section
21 3(a)(2) for generic drug or biosimilar biological
22 product versions of the drug; and

23 (F) the number of applications under sub-
24 section (b)(2) or (j) of section 505 of the Fed-
25 eral Food, Drug, and Cosmetic Act or under
26 section 351(k) of the Public Health Service Act

1 submitted to the Secretary, pursuant to such a
2 license granted under section 3(a)(2), and the
3 number of such applications that have been ap-
4 proved.

5 (3) CERTAIN DETERMINATIONS.—With respect
6 to a determination made under section 2(b)(1), the
7 Secretary shall publish on the database such deter-
8 mination in accordance with paragraph (1) within
9 30 days of receiving domestic and international pric-
10 ing information from manufacturers under section 6.

11 (b) ANNUAL REPORTS TO CONGRESS.—Not later
12 than 60 days after the first excessive price review under
13 section 2 is complete, and annually thereafter, the Sec-
14 retary shall submit to Congress a report describing the
15 excessive drug price review for the preceding year. The
16 report shall contain summary data regarding—

17 (1) the total number of drugs that were re-
18 viewed;

19 (2) the total number of drugs determined to be
20 excessively priced under each of paragraphs (1) and
21 (2) of section 2(b), and the name and manufacturer
22 of each such drug;

23 (3) the total number of drugs determined to be
24 excessively priced, listed by manufacturer;

1 (4) the extent to which the prices of the drugs
2 identified under section 2 were higher than reason-
3 able, on average;

4 (5) the total number of drugs for which an
5 open-non-exclusive license has been granted under
6 section 3(a)(2);

7 (6) the total number of generic drug or bio-
8 similar biological product applications received and
9 approved that reference a drug so licensed;

10 (7) the median approval time for generic drug
11 or biosimilar biological product applications that ref-
12 erence a drug so licensed;

13 (8) the total number of petitions the Secretary
14 received under section 2(c) to make excessive price
15 determinations for drugs;

16 (9) a list of any manufacturers who failed to re-
17 port information as required under section 6; and

18 (10) other appropriate information, as the Sec-
19 retary determines or as Congress requests.

20 (c) PUBLIC AVAILABILITY.—The Secretary shall
21 make the information in the database described in sub-
22 section (a) and the report in subsection (b) publicly avail-
23 able, including on the internet website of the Food and
24 Drug Administration, in a manner that is easy to find and
25 understand.

1 **SEC. 6. DRUG MANUFACTURER REPORTING.**

2 (a) IN GENERAL.—Each manufacturer shall submit
3 to the Secretary, in such format as the Secretary may re-
4 quire, an annual report that includes the following infor-
5 mation for each brand name drug of the manufacturer,
6 with respect to the previous calendar year:

7 (1) The average manufacturer price of the drug
8 in the United States and in the reference countries,
9 for the entire year, and broken down for each quar-
10 ter of the year.

11 (2) The wholesale acquisition cost of the drug
12 in the United States and in the reference countries,
13 for the entire year, and broken down for each quar-
14 ter of the year.

15 (3) Cumulative global revenues generated by
16 the drug.

17 (4) Annual net sales revenue generated by the
18 drug in the United States and in the reference coun-
19 tries, for the entire year, and broken down for each
20 quarter of the year.

21 (5) Total expenditures on domestic and foreign
22 drug research and development related to the drug,
23 itemized by—

24 (A) basic and preclinical research;

25 (B) clinical research, reported separately
26 for each clinical trial;

1 (C) development of alternative dosage
2 forms and strengths for the drug molecule or
3 combinations, including the molecule;

4 (D) other drug development activities, such
5 as nonclinical laboratory studies and record and
6 report maintenance;

7 (E) pursuing new or expanded indications
8 for such drug through supplemental applica-
9 tions under section 505 of the Federal Food,
10 Drug, and Cosmetic Act; and

11 (F) carrying out postmarket requirements
12 related to such drug, including under section
13 505(o)(3) of the Federal Food, Drug, and Cos-
14 metic Act.

15 (6) Total expenditures on domestic and foreign
16 marketing and advertising related to the drug.

17 (7) Investments in human clinical trials related
18 to the drug, by each trial and each year, including
19 grants, research contracts, tax credits or deductions,
20 and reimbursements from public or private health
21 plans or insurance, and any other public sector sub-
22 sidies or incentives, such as the fair market value or
23 priority review vouchers or other considerations.

24 (8) The estimated size of the affected patient
25 population.

1 (9) Additional information the manufacturer
2 chooses to provide related to drug pricing decisions,
3 such as information related to the methodology used
4 to set the price of the drug.

5 (10) Additional information as the Secretary
6 determines necessary to carry out this Act, including
7 information for previous years.

8 (b) REPORT DUE DATE.—Applicable manufacturers
9 shall submit the reports described in subsection (a) not
10 later than January 15 of the year following the date of
11 enactment of this Act, and of each year thereafter.

12 (c) PENALTY FOR NONCOMPLIANCE.—

13 (1) IN GENERAL.—Any manufacturer that fails
14 to submit information for a drug as required by this
15 section on a timely basis or that knowingly provides
16 false information shall be liable for a civil monetary
17 penalty, as determined by the Secretary under para-
18 graph (2), in addition to any other penalty under
19 other applicable provisions of law.

20 (2) AMOUNT OF PENALTY.—The amount of a
21 civil penalty under paragraph (1) shall be equal to
22 the product of—

23 (A) an amount, as determined appropriate
24 by the Secretary, which is—

1 (i) not less than 0.5 percent of the
2 gross revenues from sales for the previous
3 calendar year of the drug for which the in-
4 formation was not submitted; and

5 (ii) not greater than 1 percent of the
6 gross revenues from sales for the previous
7 calendar year of such drug; and

8 (B) the number of days in the period be-
9 tween—

10 (i) the report due date under sub-
11 section (b); and

12 (ii) the date on which the Secretary
13 receives the information required to be re-
14 ported by the manufacturer under this sec-
15 tion.

16 (3) USE OF CIVIL PENALTY.—The Secretary
17 shall collect the civil penalties under this subsection
18 and shall use such funds to support competitive re-
19 search grant programs of the National Institutes of
20 Health.

21 **SEC. 7. PROHIBITION OF ANTICOMPETITIVE BEHAVIOR.**

22 No manufacturer may engage in anticompetitive be-
23 havior violating section 5(a) of the Federal Trade Com-
24 mission Act (15 U.S.C. 45(a)) with another manufacturer
25 that may interfere with the issuance and implementation

1 of open, non-exclusive licenses under this Act or otherwise
2 run contrary to the public interest in the availability of
3 affordable prescription drugs.

4 **SEC. 8. DEFINITIONS.**

5 For the purposes of this Act:

6 (1) AVERAGE MANUFACTURER PRICE.—

7 (A) IN GENERAL.—The term “average
8 manufacturer price”, with respect to a drug,
9 subject to subparagraph (B), has the meaning
10 given such term in section 1927(k)(1) of the
11 Social Security Act (42 U.S.C. 1396r–8(k)(1));
12 or with respect to a drug for which there is no
13 average manufacturer price as so defined, such
14 term shall mean the wholesale acquisition cost
15 (as defined in section 1847A(e)(6)(B) of the
16 Social Security Act (42 U.S.C. 1395w–
17 3a(e)(6)(B)) of the drug.

18 (B) APPLICATION TO REFERENCE COUN-
19 TRIES.—With respect to reference countries,
20 the term “average manufacturer price”, as de-
21 fined in subparagraph (A), shall be determined
22 based on the price of the drug in the applicable
23 reference country.

24 (2) BIOSIMILAR BIOLOGICAL PRODUCT.—The
25 term “biosimilar biological product” means a biologi-

1 cal product licensed pursuant to an application
2 under section 351(k) of the Public Health Service
3 Act (42 U.S.C. 262(k)).

4 (3) BRAND NAME DRUG.—The term “brand
5 name drug” means a drug that is—

6 (A) approved under section 505(c) of the
7 Federal Food, Drug, and Cosmetic Act (21
8 U.S.C. 355(c)) or a biological product licensed
9 under section 351(a) of the Public Health Serv-
10 ice Act (42 U.S.C. 262(a));

11 (B) subject to section 503(b)(1) of the
12 Federal Food, Drug, and Cosmetic Act (21
13 U.S.C. 353(b)(1)); and

14 (C) claimed in a patent or the use of which
15 is claimed in a patent.

16 (4) GENERIC DRUG.—The term “generic drug”
17 means a drug approved pursuant to an application
18 under section (b)(2) or (j) of the Federal Food,
19 Drug, and Cosmetic Act (21 U.S.C. 355).

20 (5) GOVERNMENT-GRANTED EXCLUSIVITY.—
21 The term “government-granted exclusivity” means
22 prohibitions on the submission or approval of drug
23 applications granted under any of the following:

1 (A) Clauses (ii) through (v) of section
2 505(c)(3)(E) of the Federal Food, Drug, and
3 Cosmetic Act (21 U.S.C. 355(c)(3)(E)).

4 (B) Section 505(j)(5)(B)(iv) of the Federal
5 Food, Drug, and Cosmetic Act (21 U.S.C.
6 355(j)(5)(B)(iv)) or clause (ii), (iii), or (iv) of
7 section 505(j)(5)(F) of such Act.

8 (C) Section 505A of the Federal Food,
9 Drug, and Cosmetic Act (21 U.S.C. 355a).

10 (D) Section 505E of the Federal Food,
11 Drug, and Cosmetic Act (21 U.S.C. 355f).

12 (E) Section 527 of the Federal Food,
13 Drug, and Cosmetic Act (21 U.S.C. 360cc).

14 (F) Section 351(k)(7) of the Public Health
15 Service Act (42 U.S.C. 262(k)(7)).

16 (G) Any other provision of law that pro-
17 vides for exclusivity (or extension of exclusivity)
18 with respect to a drug.

19 (6) MANUFACTURER.—The term “manufac-
20 turer” means the holder of an application approved
21 under section 505 of the Federal Food, Drug, and
22 Cosmetic Act (21 U.S.C. 355) or of a license issued
23 under section 351 of the Public Health Service Act
24 (42 U.S.C. 262).

1 (7) OPEN, NON-EXCLUSIVE LICENSE.—The
2 term “open, non-exclusive license” means a license
3 that authorizes any person to use a patent held by
4 a manufacturer that claims a brand name drug or
5 a use of a brand name drug or rely upon regulatory
6 test data for such drug, including patents held in
7 common by the manufacturer and other entities,
8 needed to produce, manufacture, import, export, dis-
9 tribute, offer in liquidation, sell, buy, or use such
10 brand name drug.

11 (8) SECRETARY.—The term “Secretary” means
12 the Secretary of Health and Human Services.