



March 20, 2019

The Honorable Dr. Jim Wood, Chair  
Assembly Health Committee  
State Capitol, Room 6005  
Sacramento, CA 95814

*RE:* Legislation pending on “pay for delay” agreements (AB 824)

Dear Assemblymember Wood,

As a representative of the 30 million small businesses in America and the more than 3.9 million in California, Small Business Majority writes today to respectfully urge you to pass AB 824, which would prevent “pay for delay” business practices by drug companies. We believe that fair and competitive prescription drug pricing is key to controlling healthcare costs and improving access and affordability for consumers, including small business owners and employees.

Small Business Majority is a national small business advocacy organization with multiple offices throughout California, founded and run by small business owners to ensure America's entrepreneurs are a key part of a thriving and inclusive economy. We actively engage small business owners and policymakers in support of public policy solutions, and deliver information and resources to entrepreneurs that promote small business growth and drive a strong, sustainable job-creating economy. A key component of our work involves outreach and education to small business owners on a range of small business issues, including healthcare, retirement security, access to capital and more.

AB 824 will prohibit agreements where drug manufacturers pay generic companies to delay the introduction of lower-price medications to the market. These “pay for delay” agreements keep drug prices artificially high and seek to increase profits for the drug manufacturers. The legislation would crack down on these practices through greater enforcement and by making them presumptively illegal, which shifts the burden of proof in lawsuits onto drug companies to prove these agreements are not anticompetitive.

Prescription drug costs account for 19% of total spending in employer-sponsored coverage, and are a key contributor to the steep rise in healthcare expenses. What’s more, prescription drug costs have been rising at a faster rate than overall medical costs. We know from our [scientific opinion polling](#) that these rising costs are hurting small businesses’ bottom lines. Eighty-six percent of California’s small business owners believe that prescription drug prices are too high. California small business owners specifically support the legislative action proposed in AB 824—almost 9 in 10 California small business owners agree that it should be illegal for a drug company to pay another company that makes generic drugs to delay the release of a generic drug. Two-thirds of respondents (66%) strongly agree with this statement. These skyrocketing costs are harmful to small business employers, who face a tough decision each year of either absorbing these increased medical expenses or passing the costs onto their employees.

Controlling prescription drug prices and ensuring competition, and thus controlling overall healthcare expenses, helps ensure small business owners have access to affordable, quality healthcare options. We support any legislation that will help level the playing field for small business, and AB 824 will do just that.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Herbert".

Mark Herbert, California Director  
Small Business Majority