Prescription Cost Control: State Options
The problem

- In 2015 US prescription drug spending grew faster than any other sector for second year in a row

- In 2015 US spent $858 per capita on drugs compared to $400 average for 19 other industrialized nations
  - A Kesselheim et al, JAMA 8/23/16

- In December, Biogen announced their new treatment for a rare genetic disorder will cost $750,000 for the first year and $350,000/year after – it will be the most costly drug in the US
  - Boston Globe 12/28/16
The problem

- More Americans (70%) blame pharmaceutical companies for high health care costs than any other sector
- 73% support Medicare negotiating prices directly
- 64% believe the federal government should have the authority to limit price increases

R Blendon et al, NEJM, 2016
Possible Federal Action

- 2015 US Senate Finance Comm investigation of new HCV cure prices
  - Found pricing driven by maximizing revenue “regardless of the human consequences”
- In December 2016, US Senate Aging Comm report outlined the problems
  - Price gouging – on old drugs bought by new companies
  - Sole-source supply
  - Gold standard drugs
  - Small markets
  - Closed distribution systems
- Also in December, twenty Senators sent Pres-Elect Trump a letter outlining the problem and offering to work together on options
Possible Federal Action

Very uncertain, conflicting statements

Discussed:

- Reimportation, especially from Canada
- Medicare directly negotiating with drug companies
- Speeding up FDA approvals to foster competition,
- Remove barriers to get generics to market faster
- Regulate co-pay coupons and patient assistance programs
- FTC monitor, regulate market dynamics to foster competition
- Transparency – get the “true price” of medications
- Ensure no opening in Medicare donut hole with ACA repeal
- Encourage movement of manufacturing back to US
What are states doing?

- Medicaid supplemental rebates – almost all
- Utilization management – all
- Medication management, adherence programs
- Price transparency – VT
- Legal action
- PBMs – state employees, Medicaid MCOs
- Bulk purchasing – i.e. vaccines

Not enough
**State options**

- NASHP report, model legislation
- Transparency laws for public visibility, accountability
- Public utility model for drug price oversight
- Bulk purchase of high cost, broadly indicated medications
- Legal action – unfair trade practice, consumer protection
- Seek reimportation authority from Canada
- Medicaid waivers for greater flexibility
  - May not need a waiver soon
- Create a state PBM
- Return on investment financing, forward financing based on long term avoided costs
  - CIGNA
State options

- Misleading market protections, prohibit coupons, samples, DAW prescriptions, free samples, DTC ads
- State participation in Medicare Part D through Employer Group Waiver Plans
- Use active shareholder role for advocacy
- Indication-specific pricing
- Medication management
- Academic detailing
- Adherence programs in care coordination delivery models
- Align with other payers and states on best treatment guidelines
  - Beware drug company involvement in guideline development
VT 2016 Transparency Law

- VT drug spending up 19% from 2014 to 2015
- One new drug for cystic fibrosis expected to cost Medicaid over $3 million
- Act 165 – signed into law June 2\textsuperscript{nd}
- Green Mtn Care Board identifies 15 drugs rising by 50% or more over last 5 years or by 15% in last year
- AG requires manufacturers to justify increases, draft an annual report by Dec. 1 each year
### VT 2016 Transparency Law

<table>
<thead>
<tr>
<th>Brand name</th>
<th>Example use</th>
<th>1 year avg. % change</th>
<th>5 year avg. % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abilify</td>
<td>antipsychotic</td>
<td></td>
<td>55.27%</td>
</tr>
<tr>
<td>Lantus</td>
<td>diabetes</td>
<td></td>
<td>89.83%</td>
</tr>
<tr>
<td>Humira</td>
<td>arthritis</td>
<td>27.95%</td>
<td>113.79%</td>
</tr>
<tr>
<td>Enbrel</td>
<td>arthritis</td>
<td>16.42%</td>
<td>92.73%</td>
</tr>
<tr>
<td>Crestor</td>
<td>cholesterol</td>
<td>20.75%</td>
<td>75.98%</td>
</tr>
<tr>
<td>Epipen</td>
<td>anaphylaxis</td>
<td>32.02%</td>
<td>205.45%</td>
</tr>
<tr>
<td>Latuda</td>
<td>antipsychotic</td>
<td>19.80%</td>
<td>99.68%</td>
</tr>
<tr>
<td>Prevacid</td>
<td>acid reflux</td>
<td>20.78%</td>
<td>103.32%</td>
</tr>
<tr>
<td>Doxycycline</td>
<td>antibiotic</td>
<td></td>
<td>4787.61%</td>
</tr>
<tr>
<td>Hyclate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permethrin</td>
<td>head lice</td>
<td>50.00%</td>
<td></td>
</tr>
</tbody>
</table>
VT 2016 Transparency Law

How did it happen?

- Growing public concern and budget constraints
- Lack of movement at federal level
- VT history of bold steps in health reform
- Including all stakeholders at the table
  - Patiently working through the objections, disbelief
- Engaging all committee members
  - The final agreement language came from an opponent of the first, more expansive bill
- Lengthy public, expert testimony
- Tracking similar bills in other states, connecting with legislators
VT 2016 Transparency Law

How will it help?

- Spur federal action
- Informs negotiation
- Basis of new payment models – ie pay for outcomes
- Academic analysis could find new solutions
- Public pressure already has led several companies to promise to keep increases under 10%
Legal Action

- Early last year, Massachusetts’s AG announced investigation of unfair trade practices in Sovaldi and Harvoni prices, threatened legal action
  - Companies responded by offering steep rebates

- In December 20 states, including Maryland, filed suit against 6 companies for illegally fixing prices of generic medications
  - Two executives face criminal charges
  - Ongoing investigation of other medications

- NY Attorney General investigating anti-competitive contracts with schools for Epi-Pens
Thank you
For more information –
www.csgeast.org  eandrews@csg.org