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# Prescription Cost Control: State Options

- ▶ January 24, 2017
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# The problem

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- ▶ In 2015 US prescription drug spending grew faster than any other sector for second year in a row
  - ▶ A Martin et al, Health Affairs, Dec. 2016
- ▶ 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 \$375,000/year after, one of the costliest medicines in the world
  - ▶ Boston Globe 12/28/16, CBS MoneyWatch 12/29/16, FiercePharma 1/3/17



# The problem

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- ▶ 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

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- ▶ 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
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# Possible Federal Action

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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?

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

Not enough



# State options

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- ▶ 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

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- ▶ 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

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- ▶ 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<sup>nd</sup>
- ▶ 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

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



# VT 2016 Transparency Law

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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

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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

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- ▶ 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 –

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