State Options
Rising Prescription Drug Costs

Cha-Ching! Lowering Rx Costs
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Rising Prices

HORIZON VIMOVO
UP 2,100%
COMPONENTS
AVAILABLE FOR
$40) 2013 TO
2017

ABVIE HUMIRA
AVERAGE PRICE
INCREASE OF 15%
ANNUALLY
BETWEEN 2010
AND 2016

KALEO EVZIO ANTI
OVERDOSE AUTO
INJECTOR FROM
$575 TO $4,500
PER
PRESCRIPTION
OVER THREE
YEARS

MYLAN EPIPEN -
$103.50 IN 2009
TO $608.61 IN
2016
The “Winners” in a Broken Prescription Drug Market Place

Higher Prices Mean:

- Higher rebates for PBMs and payers
- Higher revenues for pharmacies and distributors
- Bigger profits for manufacturers

Prices rise for drugs in both competitive and non-competitive therapeutic classes

What Can States Do?
• Regulate PBMs
• Require Manufacturer Reporting

Problem:
PBM are hired to manage prescription costs on behalf of payers but incentives not always aligned with either payers or consumers

Regulatory options:
• Require reporting of rebates
• Require PBMs to offer lowest available cost to consumers at the pharmacy counter
• Require PBMs to act in the interests of the health plan

Regulating PBMs
Why do we need it?

- Manufacturers claim they receive less than 50% of the price of pharmaceuticals
- Rebates represent unregulated revenues for combined PBM/Insurer entities

**Rebate Reporting**

**Action:**
Require PBMs to report all payments from manufacturers for drugs utilized by fully insured plans in the state

**Challenges:**
- Defining “rebate” or manufacturer reporting
- Balance between protecting proprietary information and informing public and policy makers
- Ensuring conversations about rebates are one component of the larger conversation on drug prices
- ERISA preemption
Require PBMs to offer lowest available cost to consumers at the pharmacy counter

Why do we need it?
- 1 in 4 consumers report difficulty affording medication and 1 in 10 report delaying or forgoing their prescription due to cost
- When consumers overpay at the pharmacy counter the overpayments flow back to the PBM and/or health plan as unregulated revenues

Actions:
- Require PBMs to offer lowest available price at the pharmacy counter (copay amount, retail price or allowed amount)
- Require PBMs to base coinsurance and deductible consumer cost shares on post rebate price of drug

Challenges:
- Impact on premiums
- Implementation challenges for some PBM/insurers
- ERISA preemption
Why do we need it?

• Interests of PBM and plan do not always align. Examples include:
  – Plan edits that encourage higher volume – 90 day fills, automatic refills which can be beneficial, but not in all cases
  – Formulary decisions influenced by PBM revenue considerations

Actions:

Require PBMs to be fiduciaries of the plan sponsors with whom they contract

Challenges:

- ERISA preemption
- PBMs claim the competitive nature of the business already incents them to act in the best interest of clients
- Fear of litigation may reduce market competition
Drug Price Transparency

Problem: Manufacturers increasing drug prices at unsustainable rates

Regulatory options:

- Require certain reporting when a price increase threshold is breached (Naughty List)
- Require reporting of pipeline drugs (Planning for future costs)
- Require notification of pending price increases

Price thresholds

- Considerations:
  - How wide of a net to cast
  - What information should be required to be reported? (proprietary information, actionable information)
  - How to ensure the information is put into the public domain and drives policy discussion by state policy makers
Require reporting of pipeline drugs

Considerations:
• How to limit reporting to meaningful drugs (weary of generic inclusion)
• What information should be required to be reported

Require notification of pending price increases

Considerations
• Legal challenges
• Does California’s requirement sufficiently meet the needs of most payers in your state?
Challenges

- Political power of manufacturers (job creators)
- Proprietary information
- We have a list of bad actors – Now what?

Is any of this having an impact?

- Allergan, Novo Nordisk, AbbVie—committing to keep price increases below 10%
- Pharma willing to engage in price transparency discussions
- Commitments for more voluntary price transparency (Merck, Janssen and Eli Lilly)
- New block buster Migraine Medication pricing came in well under initial projections
Is it enough?

What do we do if it’s not?