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

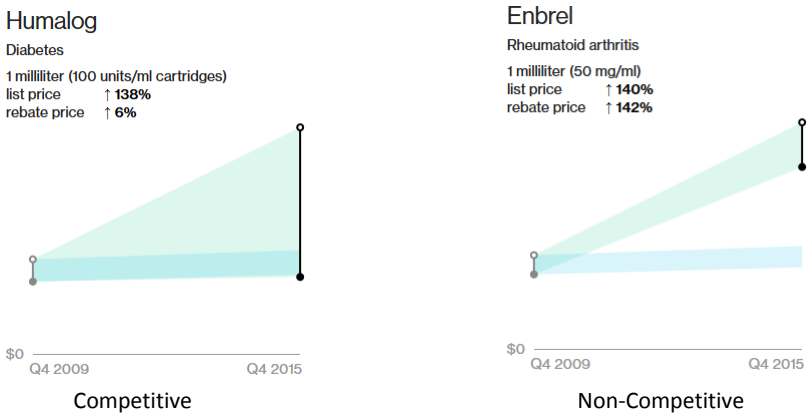
Higher Prices Mean:

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



Robert Langreth, et. al. "Decoding Big Pharma's Secret Drug Pricing Practices". Bloomberg, June 29, 2016.
https://www.bloomberg.com/graphics/2016-drug-prices/

What Can States Do?

- Regulate PBMs
- Require Manufacturer Reporting

Regulating PBMs

Problem:

PBMs 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

Rebate Reporting

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 entitles

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

Require PBMs to offer lowest available cost to consumers at the pharmacy counter





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

Require PBMs to act in the interests of the health plan

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

Require PBMs to act in the interests of the health plan



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?

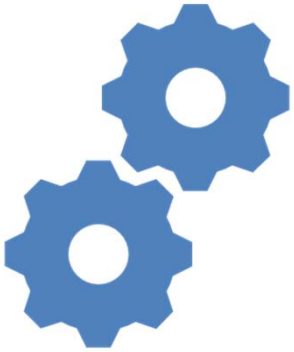


Is any of this having an impact?

- 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?