

Prescription Drug Affordability Board upper payment limit (UPL) overview

Ralph Magrish MPA

Executive director, Oregon Prescription Drug Affordability Board
and Drug Price Transparency Program
Oregon Department of Consumer and Business Services

Dec. 11, 2024

Oregon Senate Health Care Committee



Oregon Prescription Drug
Affordability Board



Agenda

- PDAB introduction and functions
- SB 192 direction and deliverables for the board
- What is a UPL?
- What it would look like
- Consumer outreach
- Constituent outreach
- 192 report
- MFP analysis
- OEBB/PEBB impacts



Prescription Drug Affordability Board (PDAB) introduction

Purpose

- Created under SB 844 (2021) to protect Oregonians, state and local governments, commercial health plans, health care providers, pharmacies, and others in the health care system from the high costs of prescription drugs

Composition

- Eight members appointed by the governor and confirmed by the Senate
- Required background in clinical medicine or healthcare economics



PDAB functions

- Drug affordability reviews – identify nine drugs and at least one insulin product that may create affordability challenges for health care systems or high out-of-pocket costs for patients based on criteria adopted by the board
- Study the entire prescription drug distribution and payment system in Oregon and around the world designed to lower the list price of prescription drugs
- Make recommendations to the Oregon Legislature for statutory changes



PDAB responsibilities

Rulemaking input

- Affordability review criteria
- Manufacturer fee structure

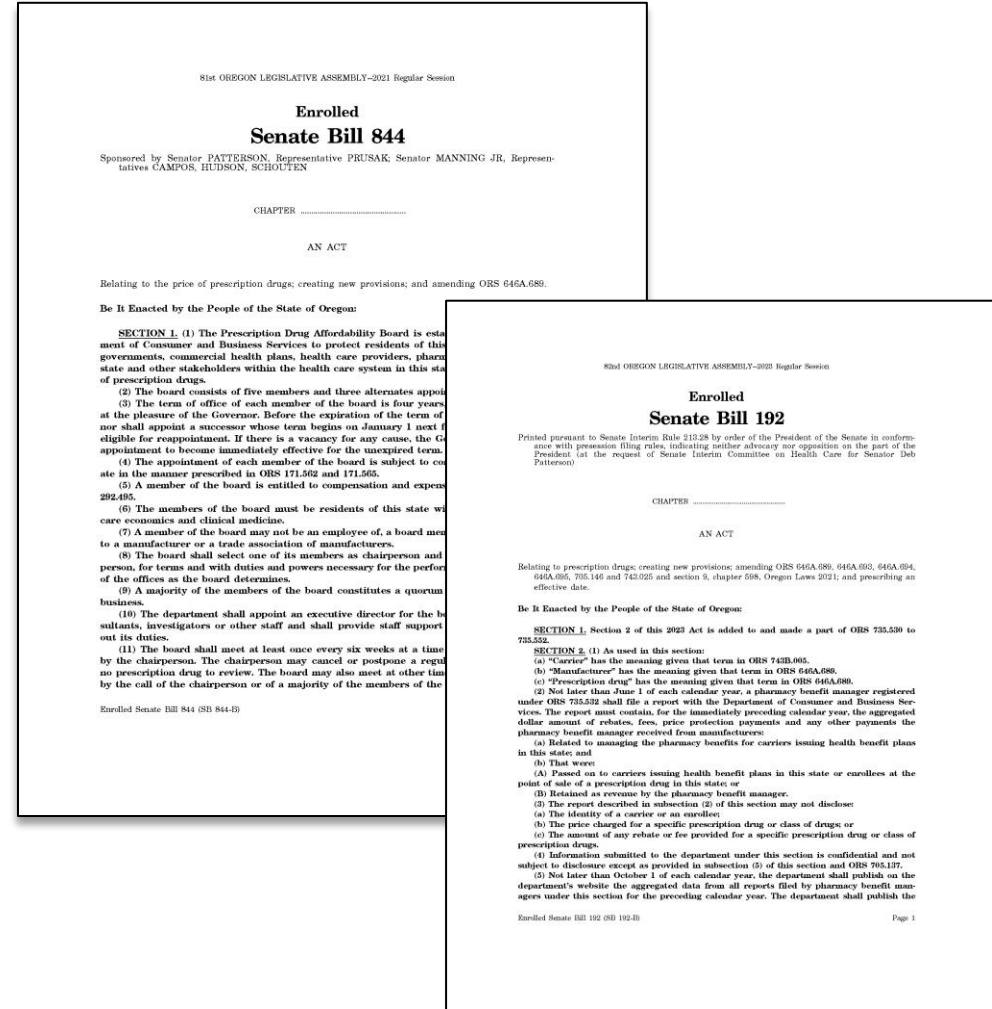
Annual reporting requirements

- Generic marketplace report to legislature
- Report to legislature and Cost Growth Target Program (OHA) on:
 - Price trends
 - Drug affordability reviews conducted
 - Recommendations for changes to make drugs more affordable



Where is Oregon regarding UPL?

- In 2021, Senate Bill 844, the board's founding legislation, did not include UPL authority.
- In 2022, the Oregon PDAB recommended to the Legislature setting UPLs only for government payers.
- In 2023, Senate Bill 192 directed the Oregon PDAB to study the implementation of UPLs.



What is an upper payment limit (UPL)?

- The maximum reimbursement rate above which purchasers throughout the state may not pay for prescription drug products
- It creates a ceiling on what a payer can pay for a drug
- It does not set the price a manufacturer can charge



Prescription Drug Affordability Boards across the U.S.



Boards with upper payment limits:

- **CO, MD, MN, and WA** have full UPL authority
- **OR** and **NJ** must return to legislature with a plan
- **ME, NH, and NY** have PDABs but not designed to lower costs statewide
- **MN, VA, MI, IL, and PA** PDAB bills include Medicare maximum fair price as statewide UPL (extends Medicare's effort to all residents)



Prescription drug costs affect public health

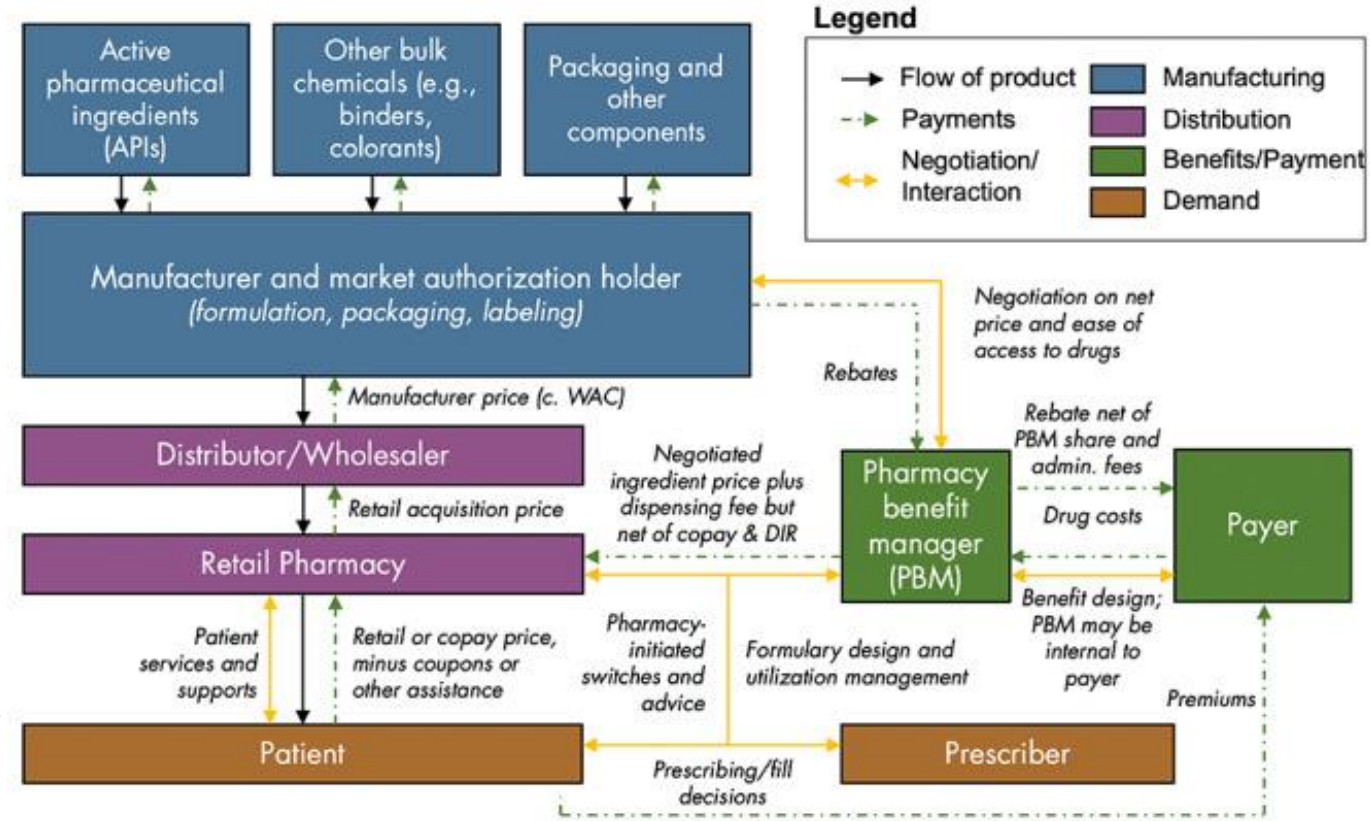
The state of Oregon is a major purchaser of prescription drugs

- Oregon Health Plan: \$1.46 billion in 2023
- Public Employees' Benefit Board (PEBB): \$145 million in paid pharmacy costs after rebates in 2023
- Oregon Educators Benefit Board (OEBB): \$102 million in paid pharmacy costs after rebates for the 2022-2023 plan year (10/22 to 9/23)
- CAREAssist (Oregon's AIDS Drug Assistance Program): \$17 million in 2023



Rx supply chain: everyone plays a role

- Manufacturers – brand, generic, biosimilars
- Wholesale distributors
- Pharmacies
- Pharmacy benefit managers
- Insurance companies
- Medical providers
- Consumers
- Government agencies and others



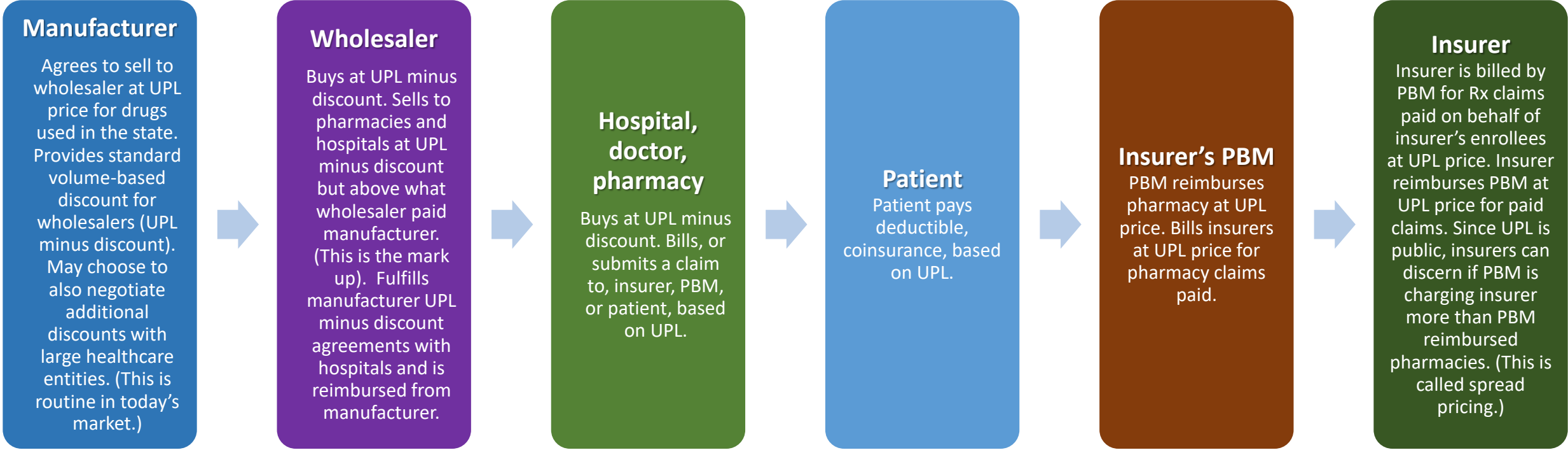
Source: Mulcahy, Andrew W. and Kareddy, Vishnupriya. "Prescription Drug Supply Chains: An Overview of Stakeholders and Relationships." RAND Health Quarterly, June 2022. <https://pubmed.ncbi.nlm.nih.gov/35837523/>. Accessed March 12, 2024.



Oregon Prescription Drug
Affordability Board



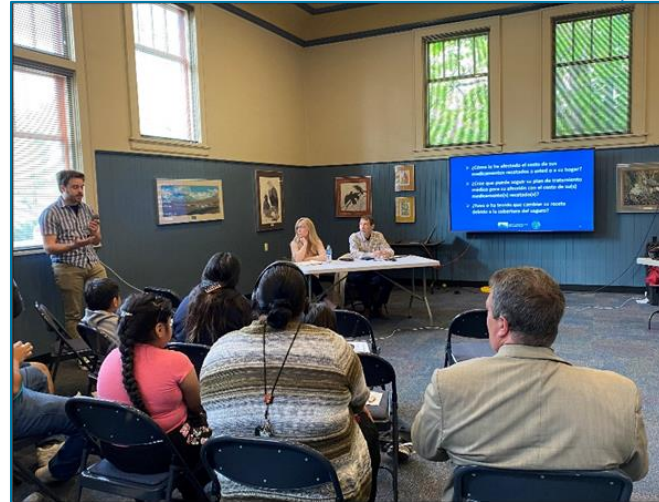
Basics of Rx UPL acquisition cost, billing, and payment



Note: UPL replaces WAC, AWP, AAC, EAC etc. UPL is the metric for all financial transactions for the drug. Like existing metrics, there will be 'UPL minus' in the supply chain.

Consumer outreach

- PDAB hosted seven in-person and online community forums across Oregon
- 156 people attended
- 28 people testified about skipping prescriptions because they can't afford them, battling insurance companies over coverage, and struggling to find medications in short supply
- Read the report here:
<https://dfr.oregon.gov/pdab/Documents/reports/PDAB-Consumer-Report-2024.pdf>



DO YOU THINK YOUR PRESCRIPTION DRUGS COST TOO MUCH?

Learn why drug costs are so high
The Prescription Drug Affordability Board was created to find ways to make prescription drugs more affordable for Oregonians by making recommendations to the Oregon Legislature.

Help us identify solutions to high drug costs
Please come share your story at a community forum with board staff about how prescription drug prices and medication costs have affected you.



In-person forums

Portland – Tuesday, April 2, 6-8 p.m.
Portland State Office Building

Lincoln City – Tuesday, April 9, 6-8 p.m.
Cultural Center
540 NE Highway 101

Woodburn – Monday, April 15, 5-7 p.m.
Woodburn Public Library
Foro en Español

Medford – Thursday, April 25, 6-8 p.m.
Rogue Community College
ASL provided

Bend – Tuesday, April 30, 6-8 p.m.
East Bend Library

Online forums

Wednesday, May 8, noon to 2 p.m.

Join ZoomGov Meeting
ID: 160 968 3098
Passcode: OregonPDAB
Spanish and American Sign Language interpretation provided

Tuesday, May 14, 6-8 p.m.

Join ZoomGov Meeting
ID: 161 706 0370
Passcode: OregonPDAB
Spanish and American Sign Language interpretation provided



Oregon Prescription Drug
Affordability Board



Outreach to constituents

Background

- SB192 tasked the board with developing a UPL plan
- Myers and Stauffer engaged to support UPL plan development
- Scope of work includes constituent engagement to:
 - Identify concerns, questions, support, or opposition to UPLs
 - Solicit input about UPL process, utilization, and implementation
 - Solicit input about data and alternative approaches



Approach

Constituent groups

➤ Under SB 192

- The state
- Insurers
- Hospitals
- Pharmacies
- Consumers

➤ Additionally

- 340B Covered Entities (CEs)
- Patient Advocacy Groups
- Pharmaceutical Manufacturers
- Pharmacy Benefit Managers (PBMs)

Mechanisms for engagement

➤ Online Survey

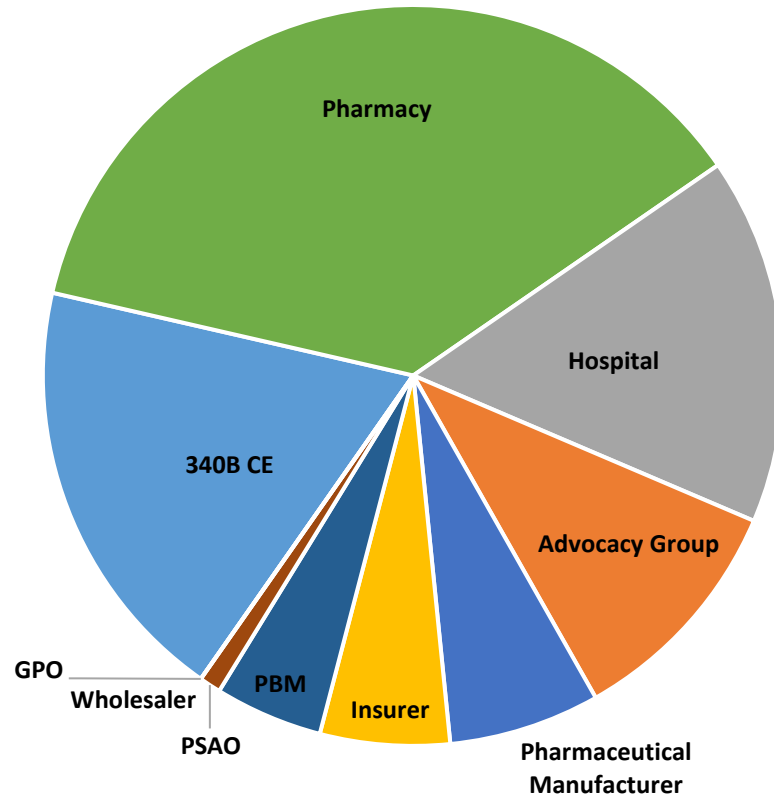
- Non-mandatory Likert scale and free text questions
 - Affordability, UPL impact, methodology, recommendations
- Inform focus groups

➤ Focus Groups

- 2 X 1-hour meetings per group
- Expand on survey responses
- Solicit additional feedback



Survey participation



Constituents	Sent	Responses
340B CE*	34	20
Advocacy Groups	60	11
Hospital	51	17
Insurer	53	6
Pharmaceutical Manufacturer*	56	7
Pharmacies	429	39
PBM*	159	5
PSAOs*	6	1
Wholesalers*	4	0
GPOs*	4	0
Total	856	106



Synthesis of feedback: Survey

Survey responders were concerned with:

- Cost of drugs to organizations and patients
- UPL financial impact on organizations
- UPL impact on patient access and costs
- Increased administrative burden, infrastructure costs, and operational challenges



Synthesis of feedback: Focus groups

- Drug affordability concerns
- Unsure how to assess the impact of a UPL, particularly given the strategy has yet to be implemented in other states
- Concerned about loss of revenue, decreased patient access, and increased patient costs
- Questions about delivery system complexity and limitations of a state-based solution
- Administrative burden, especially effort required to serve patients, perform business operations, and manage contracts
- Questioned how a UPL would be developed, implemented, and enforced



Summary of outreach recommendations, concerns, and obstacles

- Most common recommendations focused on affordability determinations, drug selection for affordability review, PBM reform, and transparency
- Concerns regarding negative impact a on provider revenue, patient access, and supply chain operations
- Lack of information regarding affordability determinations, as well as how a UPL would be established, implemented, and enforced



UPL report – November 2024

- Outlines structured methodologies to establish UPLs subject to affordability review under ORS 646A.694
- Recognizes complexities of supply chain and different approaches may be necessary for different drugs and distribution channels.
- Brings to light perspectives on UPLs from a broad spectrum of stakeholders and examines models used by PDABs in other states.
- Offers a toolkit for the legislature to consider both the potential and complexities of UPLs.
- Acknowledges fine operational details would need to be developed in Administrative Rules



UPL report – considerations

- The effective implementation of UPLs requires careful administrative planning and standardized processes
- Experiences in other states reveal the need for a comprehensive approach to affordability reviews, with detailed drug price modeling and periodic reassessment to adapt to market conditions
- Oregon’s PDAB considers these insights crucial, as a structured, phased approach could provide a balanced foundation for Oregon’s UPL framework while facilitating administrative clarity and stakeholder engagement



PDAB UPL analysis for state payers (PEBB, OEBC, Medicaid)

- Myers and Stauffer LC, at the request of PDAB staff, created three upper payment limit scenarios for eight prescription drugs to consider for modeling and analysis by state payers.
- These drugs were pulled from the 2023 PDAB Prescription Drug Top Drug Subset List: Cosentyx, Entyvio, Inflectra, Keytruda, Ocrevus, Ozempic, Tremfya, and Trulicity.



PDAB UPL analysis for state payers

PEBB/OEBB analysis¹

- Under the scenario where it is assumed there are no rebates due to an implemented UPL, the most likely outcomes range from a combined increase of \$12.1M in plan spend (where the modest price reduction is less than existing rebates) to a cost savings of \$18.7M (price reduction exceeds existing rebates).

Medicaid/Oregon Health Plan

- For both Fee for Service (FFS) and Coordinated Care Organizations (CCO), the modeling assumed no changes to existing rebates. Both assumptions mean that attainable savings will be lower.
- Additionally, due to state and federal budget mechanics, OHA advised that reductions in cost from implementing a UPL would more likely be reinvested in other OHP services rather than directly reducing state costs.
 - For the UPL scenarios, the potential net savings range from \$1.1M to \$2.3M for FFS, and \$25M to \$56M for CCO.²

¹ Mercer Health & Benefits LLC analysis, Aug. 26, 2024. Analysis does not include Kaiser Permanente medical claims.

² Oregon Health Authority, Office of Actuarial and Financial Analytics, Sept. 6, 2024.



Maximum Fair Price (MFP) modeling analysis

- CMS released the Maximum Fair Price (MFP) in September for the first series of 10 single source drugs without generic or biosimilar competition that were subject to negotiation with manufacturers under the Inflation Reduction Act. MFPs to become effective for plan year 2026
- As a state analog to MFPs, PDAB staff completed an analysis to examine the potential estimated savings in the state using the recent CMS negotiated drug prices.



Maximum Fair Price (MFP) modeling analysis (continued)

- Analysis shows carrier's annual expenditure based on the number of prescriptions and number of enrollees for a drug. These sections are highlighted in blue.
- The annual expenditures were then recalculated using Medicare's MFP (highlighted in orange). These potential cost savings calculations are shown in purple and include the percentage savings that could be afforded by a UPL.
- Analysis Caveats – Not a one-to-one market comparison
 - Data is limited to commercial insurance carrier reporting to the Drug Price Transparency program.
 - Only includes specific plan types (large, small, individual) while excluding groups such as Medicare, Medicaid, self-insured, PEBB, and OEBC.
 - Intended only to model the potential effects of a UPL.
- Percentages of savings vary between 51 percent and 81 percent totaling a potential savings of \$49M.



Maximum Fair Price (MFP) modeling analysis for potential UPL

*Proprietary name(s)	Non-proprietary name	**Number of carriers reported out of 12	Number of enrollees prescribed Rx in 2023	Number of prescriptions in 2023	Total (net of rebate) annual spend in 2023	Total annual spend per enrollee in 2023	Average cost per prescription in 2023	Medicare MFP negotiated price for 30-day supply	Potential OR estimated total annual spend per enrollee using Medicare MFP	Potential OR total annual spend using Medicare MFP based on number of prescriptions	Potential OR estimated savings using Medicare MFP (based on total spend)	Potential OR percent savings using Medicare MFP
Eliquis	Apixaban	12	3,822	17,034	\$9,848,225	\$2,577	\$578	\$231	\$1,030	\$3,934,854	\$5,913,371	60%
Enbrel / Enbrel SureClick	Etanercept	9	607	4,648	\$22,380,528	\$36,871	\$4,815	\$2,355	\$18,033	\$10,946,040	\$11,434,488	51%
Entresto	Sacubitril-Valsartan	8	1,097	4,374	\$3,742,550	\$3,412	\$856	\$295	\$1,176	\$1,290,330	\$2,452,220	66%
Farxiga	Dapagliflozin Propanediol	6	821	3,838	\$1,531,108	\$1,865	\$399	\$179	\$834	\$685,083	\$846,025	55%
Imbruvica	Ibrutinib	1	3	11	\$241,556	\$80,519	\$21,960	\$9,319	\$34,170	\$102,509	\$139,047	58%
Januvia	Sitagliptin Phosphate	3	28	103	\$95,879	\$3,424	\$931	\$113	\$416	\$11,639	\$84,240	88%
Jardiance	Empagliflozin	12	5,892	23,825	\$10,569,483	\$1,794	\$444	\$197	\$797	\$4,693,525	\$5,875,958	56%
Stelara	Ustekinumab	10	648	2,995	\$31,156,649	\$48,081	\$10,403	\$4,695	\$21,700	\$14,061,525	\$17,095,124	55%
Xarelto	Rivaroxaban	12	2,160	7,746	\$4,908,208	\$2,272	\$634	\$197	\$706	\$1,525,962	\$3,382,246	69%
Fiasp	Insulin Aspart	2	15	50	\$55,000	\$3,667	\$1,100	\$119	\$397	\$5,950	\$49,050	89%
Novolog	Insulin Aspart	3	563	2,163	\$2,122,013	\$3,769	\$981	\$119	\$457	\$257,397	\$1,864,616	88%
Novolog Flexper	Insulin Aspart	4	65	164	\$44,456	\$684	\$271	\$119	\$300	\$19,516	\$24,940	56%

TOTAL Spend = \$86,695,655

POTENTIAL Total Savings = \$49,161,325

This data set is limited to Drug Price Transparency insurance carrier reporting that only includes Large, Small, and Individual plan groups. This excludes groups such as Medicare, Medicaid, self-insured, PEBS, OEBS,

*The proprietary name information is represented by the most frequently used NDC reported in 2023 by Oregon's commercial health insurance carriers.

**The number of carriers that reported the drug under ORS 743.025 for their 2023 top 25 most costly or greatest increase.



Oregon Prescription Drug Affordability Board





Oregon Prescription Drug
Affordability Board



Questions?

Ralph Magrish MPA

Executive director, Oregon Prescription Drug Affordability Board and
Drug Price Transparency Program

Oregon Department of Consumer and Business Services

Ralph.M.Magrish@dcbs.oregon.gov

(971) 375-7591