


# Prescription Drug Affordability: State Strategies

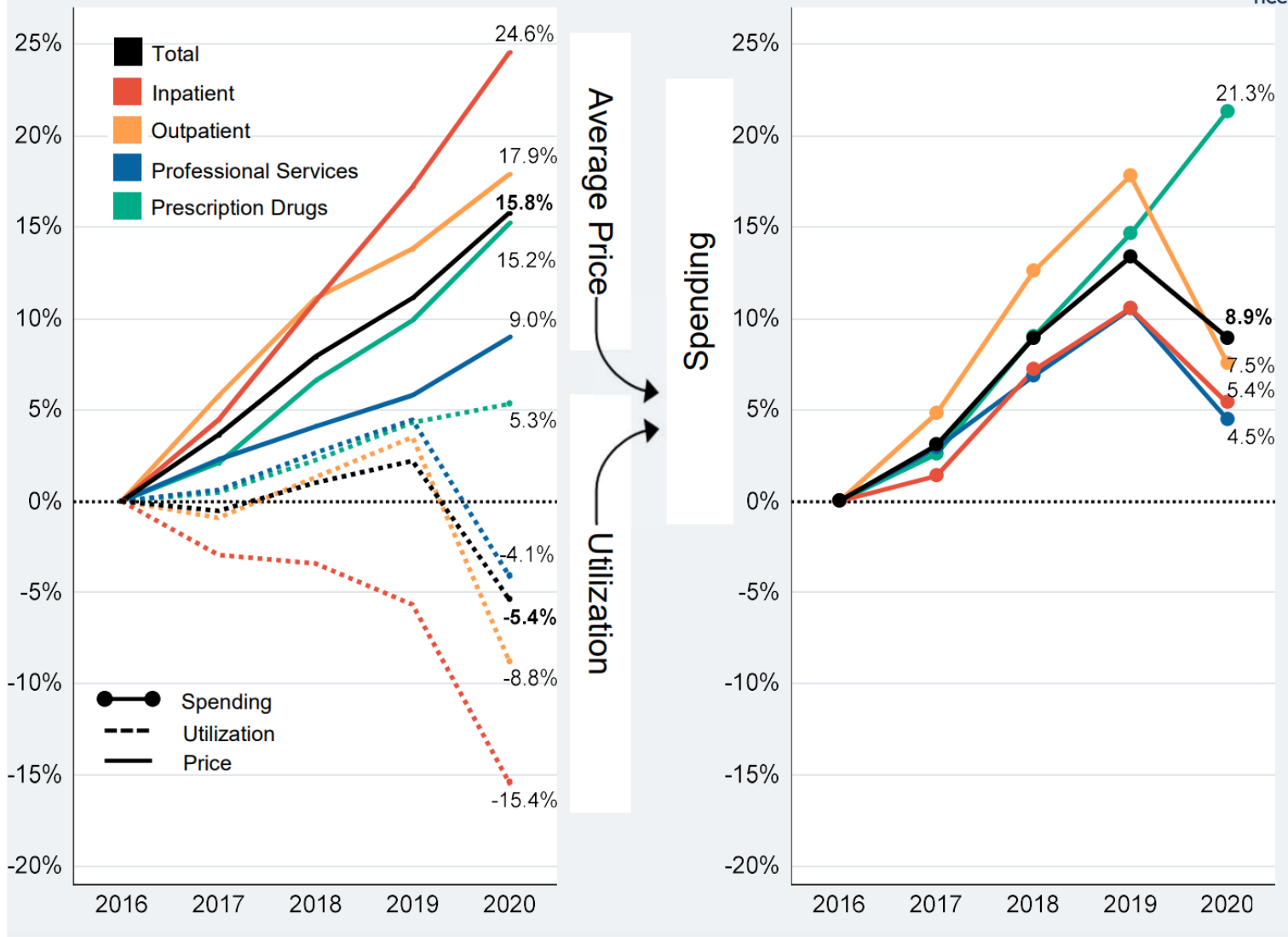
Oregon – Senate Committee on Health Care

Drew Gattine, Senior Policy Consultant, NASHP Center for Drug Pricing

February 20, 2023



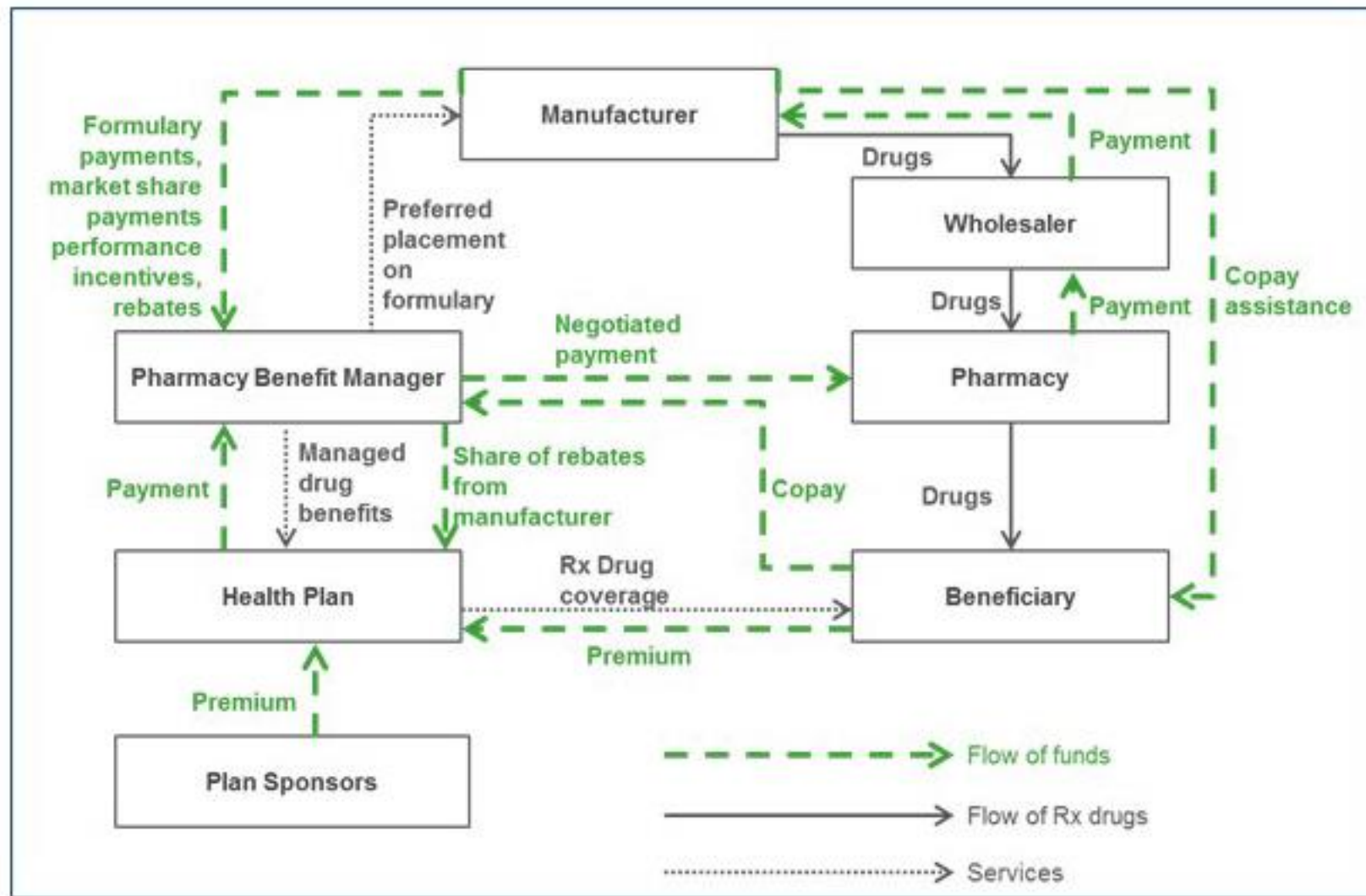
**Figure 4: Cumulative Change in Spending per Person, Utilization, and Average Price by Service** 



**Spending on Prescription Drugs Is Increasing Faster than Other Medical Service Sectors**

Source: [Health Care Cost Institute](https://www.healthcarecostinstitute.org/) (2020)

# Flow of Products, Funds and Services



## Drug Pricing Laws 2017-2022

Year	2017	2018	2019	2020	2021	2022*	Total	In # of states
Number of States Enacting Laws	13	28	37	19	23	16	50	
Total Laws Enacted	17	45	64	43	52	30	251	50
Pharmacy Benefit Manager	7	32	33	20	23	19	133	47
Transparency	3	4	7	5	7	2	28	21
Wholesale Importation from Canada	0	1	4	2	1	1	9	6
Affordability Review	1	0	3	0	2	2	8	8
Volume Purchasing	0	0	2	0	1		3	3
Coupons/Cost Sharing	1	0	4	13	12	7	35	22
Study	0	1	6	1	2	2	12	9
Other	5	7	5	2	4		23	18

\*As of October 28, 2022

## 50 State Legislative Landscape

Since 2017, legislation to address prescription drug costs has been *enacted* in all 50 states.

There have been more than 250 laws enacted.

# Menu of NASHP Policy Tools to Address High Prescription Drug Costs

Policy Approach	Tools
1. Transparency	<ul style="list-style-type: none"> <li>Reporting by drug manufacturers, wholesalers, PBMs, and health plans on prescription drug prices, spending and rebates*</li> </ul>
2. Active state purchasing	<ul style="list-style-type: none"> <li>Wholesale Canadian Importation (requires FDA approval)*</li> <li>Stronger PBM contracting*</li> <li>Pooled Purchasing (e.g. ArrayRx Solutions)</li> <li>Direct negotiation for high-cost drugs (Medicaid)</li> <li>Outcomes-based contracting (Medicaid)</li> </ul>
3. Limit Price Increases	<ul style="list-style-type: none"> <li>Prohibiting Price Gouging*</li> <li>Penalizing Unsupported Price Increases (UPIs)*</li> </ul>
4. Set Upper Payment Limits	<ul style="list-style-type: none"> <li>Prescription Drug Affordability Boards (PDABs)*</li> <li>International Reference Rates*</li> <li>Medicare Reference Rates (Nov. 2022)*</li> </ul>

# Value of State Drug Price Transparency

---



**Manufacturer  
accountability for  
price increases &  
launch prices**



**Pressure to limit  
drug price increases**



**Building staff  
capacity and  
infrastructure for  
future Rx action**



**Identifying price  
trends & issues for  
policy action**

# How Rx Transparency Data Shapes Policy

---



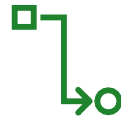
Identifying high-priced, highly-utilized drugs to target action to lower drug prices (e.g. establishing a PDAB or reference pricing)



Informing state cost-growth benchmark and prescription drug affordability board work with state-specific data



Building staff capacity and state infrastructure for tracking drug prices and identifying effective policies to lower prices



Understanding how drug prices and rebates impact premiums

# How Rx Transparency Data Shapes Policy: Equity Considerations

- Chronic conditions and high drug prices disproportionately impact low-income and communities of color
- Lowering drug prices improves health equity - if the right drugs are targeted
- State transparency programs can help identify and study drugs to mitigate health inequities

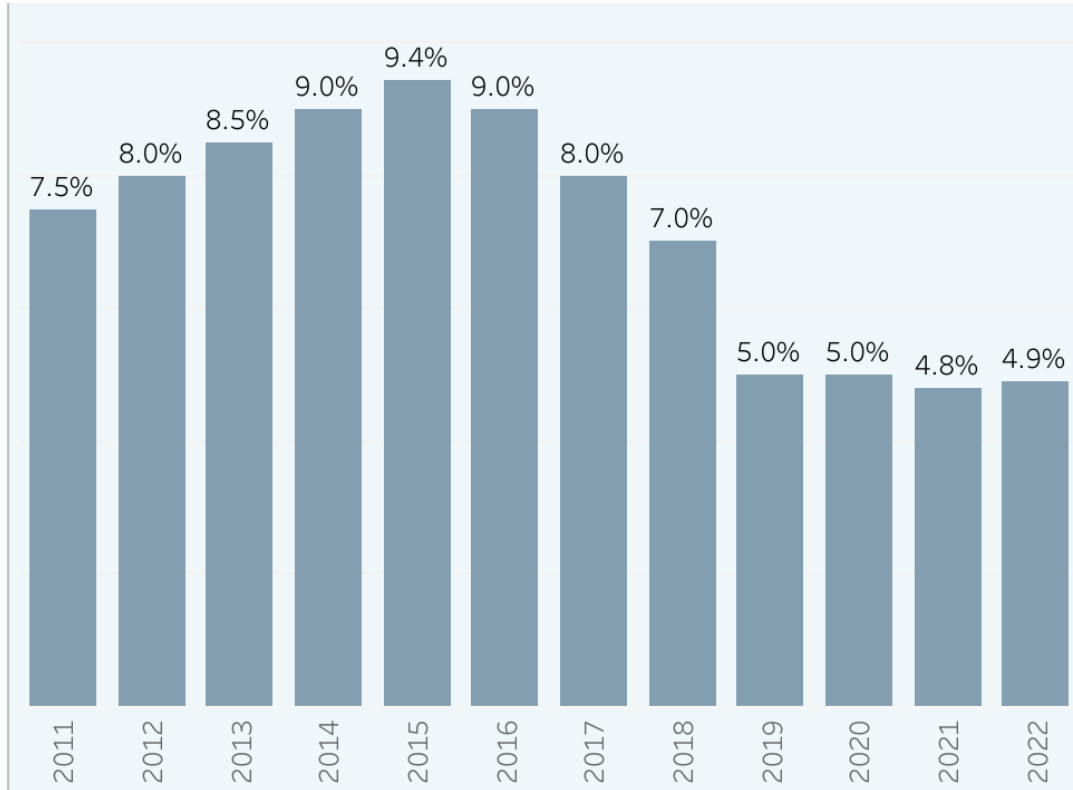


- Nearly 15% of Black people have received a diabetes diagnosis and are more than twice as likely to die from the disease.
- The cost of the four most popular types of insulin have tripled in the past 10 years.
- As many as 1 in 4 of the 7.5 million Americans dependent on insulin are skipping or skimping on doses.

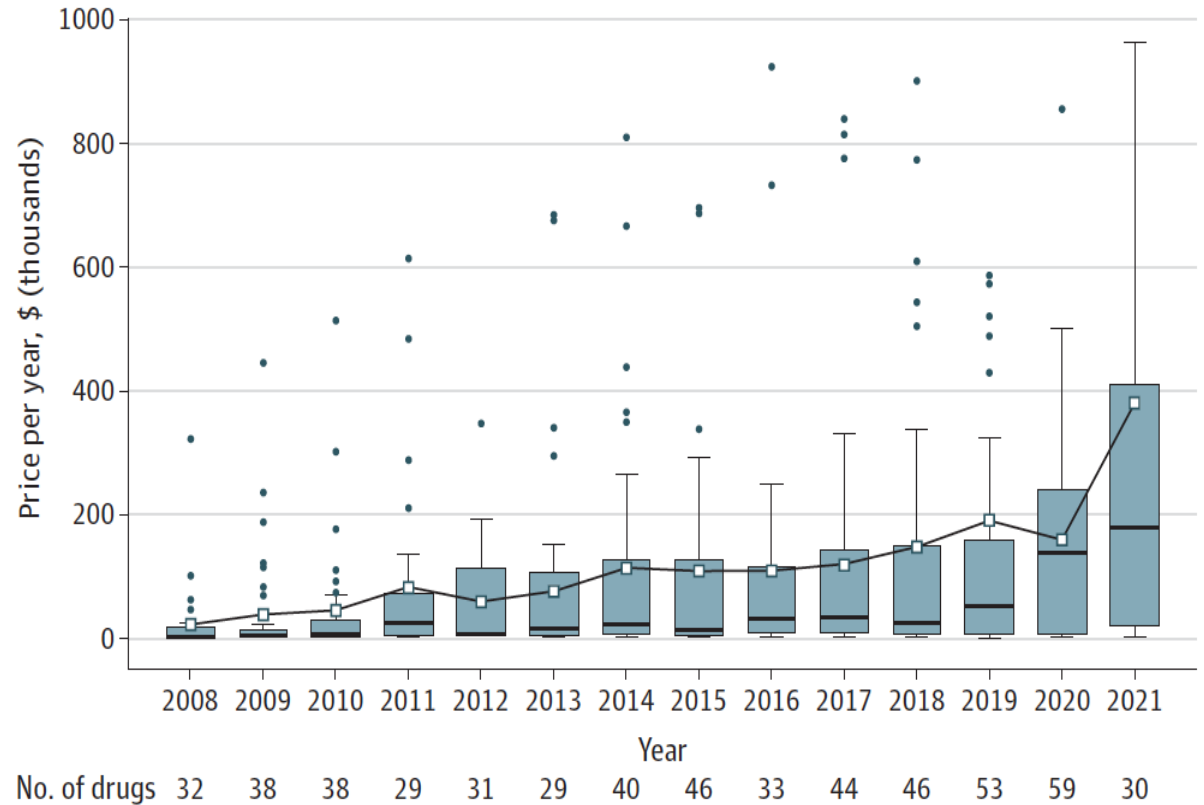


# Price Increases Moderate, Launch Prices Rise

## Median Percentage WAC Increase on Brand-name Drugs



## Average Launch Prices Increased by 20% per year



# Prescription Drug Affordability Boards (PDABs)

---

- PDABS are independent state boards that use data to analyze the affordability of prescription drugs
- Maryland created the first PDAB in 2019 and five states have followed
  - PDABs in Maryland, Colorado and Washington have authority to set Upper Payment Limits (UPLs)
  - Oregon's PDAB has many similarities MD, CO and WA but **does not** have UPL authority
  - Oregon's PDAB will report to the Health Care Cost Growth Target program on drug price trends, drugs reviewed by the board, and make recommendations
  - PDABs in Maine and New Hampshire set Rx spending targets for public payers
- PDABs proposed in New Jersey, Minnesota, Virginia, New Mexico, and Rhode Island with others expected
- NASHP regularly convenes the states that have passed PDABs so they can share knowledge

# Referenced-Based Prices: International Reference Rates Model

---

## Why Reference to Canadian Prices?

- Foreign countries pay a fraction of what Americans pay for prescription drugs
- International prices offer a fair, easy-to-implement approach to rate setting – it is not resource-intensive

## How Referencing Works:

- State identifies the costliest drugs and crosswalks to Canadian prices (provincial information is publicly available)
- Canadian price becomes the upper payment limit for all payers (except Medicaid)
- Savings are calculated and reported, and **savings must be used to offset the costs for consumers**



# Examples of Canadian Rates

Drug Name & Dosage	US Price (NADAC)	Canadian Reference Rate*	Price Difference	Savings off US Prices
<b>Humira syringe</b> (40 mg/0.8 ml) (arthritis, psoriasis, Crohn's)	\$2,706.38	\$541.29	\$2,165.09	80%
<b>1 ml of Enbrel</b> (50 mg/ml syringe) (arthritis, psoriasis, Crohn's)	\$1,353.94	\$272.28	\$1,081.66	80%
<b>1 ml of Stelara</b> (90 mg/1 ml syringe ) (arthritis, psoriasis, Crohn's)	\$21,331.28	\$3,267.64	\$18,063.64	85%
<b>1 ml of Victoza</b> (2-pak of 18 mg/3 ml pen)* (diabetes)	\$103.44	\$17.30	\$86.14	83%
<b>Truvada tablet</b> (200 mg/300 mg) (PrEP for HIV)	\$59.71	\$19.78	\$39.93	67%
<b>Xeljanz tablet</b> (5 mg) (rheumatoid arthritis)	\$76.07	\$17.50	\$58.57	77%
<b>Epicusa tablet</b> (400 mg/100 mg) (hepatitis C)	\$869.05	\$541.32	\$327.73	38%
<b>Zytiga tablet</b> (250 mg) (cancer)	\$87.63	21.47	\$66.16	75%
<i>Average discount based on 8 top selling drugs in 2018</i>				<b>73%</b>

# Referenced-Based Prices: Leveraging the IRA

---

- **The recently enacted Inflation Reduction Act (IRA) presents another source of referenced-based pricing for states**
- **How Many Drugs and When:** HHS will negotiate for top 10 Part D drugs, with prices effective 2026, eventually reaching top 20 drugs across Parts B and D in 2029
- **Which Drugs:** Single-source drugs that (1) are at least 7 years (small molecule) or 11 years (biologic) beyond approval; **and** (2) account for at least \$200 million spend across Parts B and D
- **Exceptions:** Drugs marketed as generic/biosimilar (or biologics with reference biosimilar pending entrance within 2 years), orphan drugs targeting single approved disease, and plasma products
- **Maximum Fair Price (MFP):** Range from 75% to 40% of non-federal AMP; the longer a drug has been on the market, the lower the MFP

# New NASHP Model: Reference to Medicare Maximum Fair Price

---

## Approach:

- NASHP has released a new model bill to leverage IRA
- Structurally similar to International Reference Model but uses MFP instead of Canadian price
- Allow MFP to apply not just to Medicare recipients but more broadly in a state
- Similar to International Reference Model - it is designed to be implemented with minimal state resources and savings are used to benefit consumers
- When determining how to utilize savings purchasers are directed to consider strategies that promote greater health equity by addressing disparities across communities

***Another Approach: Reference to MFP where one exists, but to Canadian price for drugs where there is no MFP***

# Drug Price Negotiation Program: Possible High-Spend Drugs for Negotiation

Brand Name	Generic Name	Manufacturer	Therapeutic Treatment	Total Spend (2020)
Eliquis	Apixaban	Bristol-Myers Squibb	Blood clots	~\$9.9 billion
Xarelto	Rivaroxaban	Janssen Pharmaceuticals	Blood clots	~\$4.7 billion
Humira	Adalimumab	AbbVie	Rheumatoid arthritis	~\$4.2 billion
Januvia	Sitagliptin Phosphate	Merck	Type 2 diabetes	~\$3.8 billion
Trulicity	Dulaglutide	Eli Lilly & Co.	Type 2 diabetes	~\$3.3 billion