

# Prescription Drug Pricing Strategies

*Rhode Island Health Care Spending Trends Public Forum*

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NATIONAL ACADEMY  
FOR STATE HEALTH POLICY

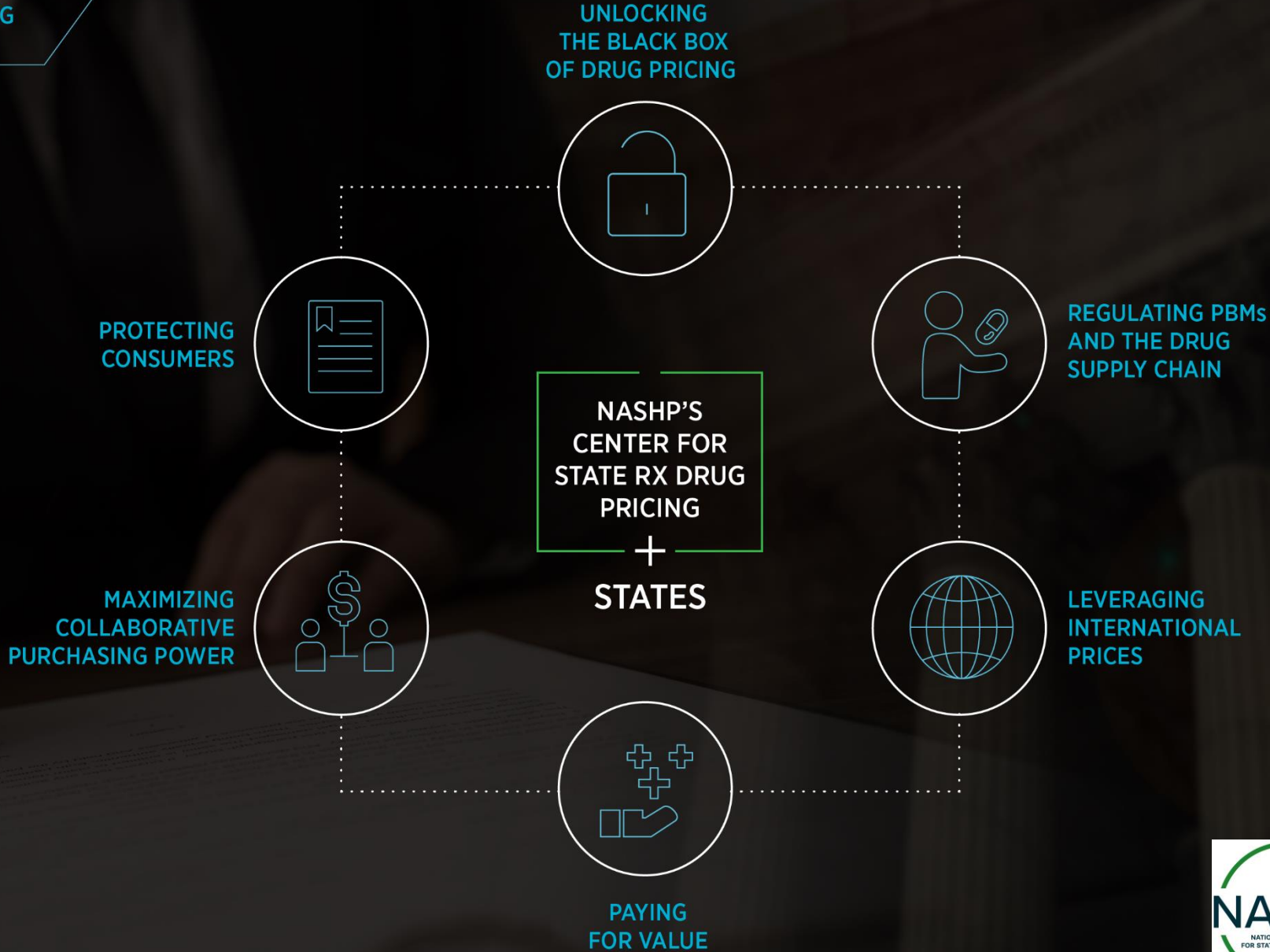
[nashp.org](https://nashp.org)

# About NASHP

- A national, nonpartisan organization committed to developing and advancing state health policy innovations and solutions to improve the health and well-being of all people.
- NASHP provides a unique forum for the productive exchange of strategies across state government, including the executive and legislative branches.
- To accomplish our mission, we:
  - **Advance** innovation in developing new policies and programs
  - **Surface** and support implementation and spread of best practices
  - **Ensure** availability of info, data, tools
  - **Encourage** sustainable cross sector solutions by strengthening partnerships
  - **Elevate** the state perspective

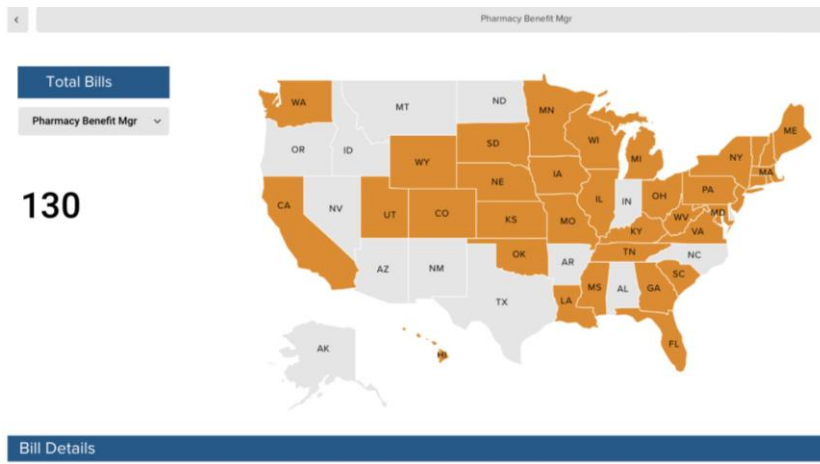
# NASHP'S CENTER FOR STATE RX DRUG PRICING

**NASHP's Center for State Rx Drug Pricing** works with states on model legislation and other strategies to take on high drug costs by:



# Examples of NASHP Rx Drug Pricing Resources

## State Legislative Tracking



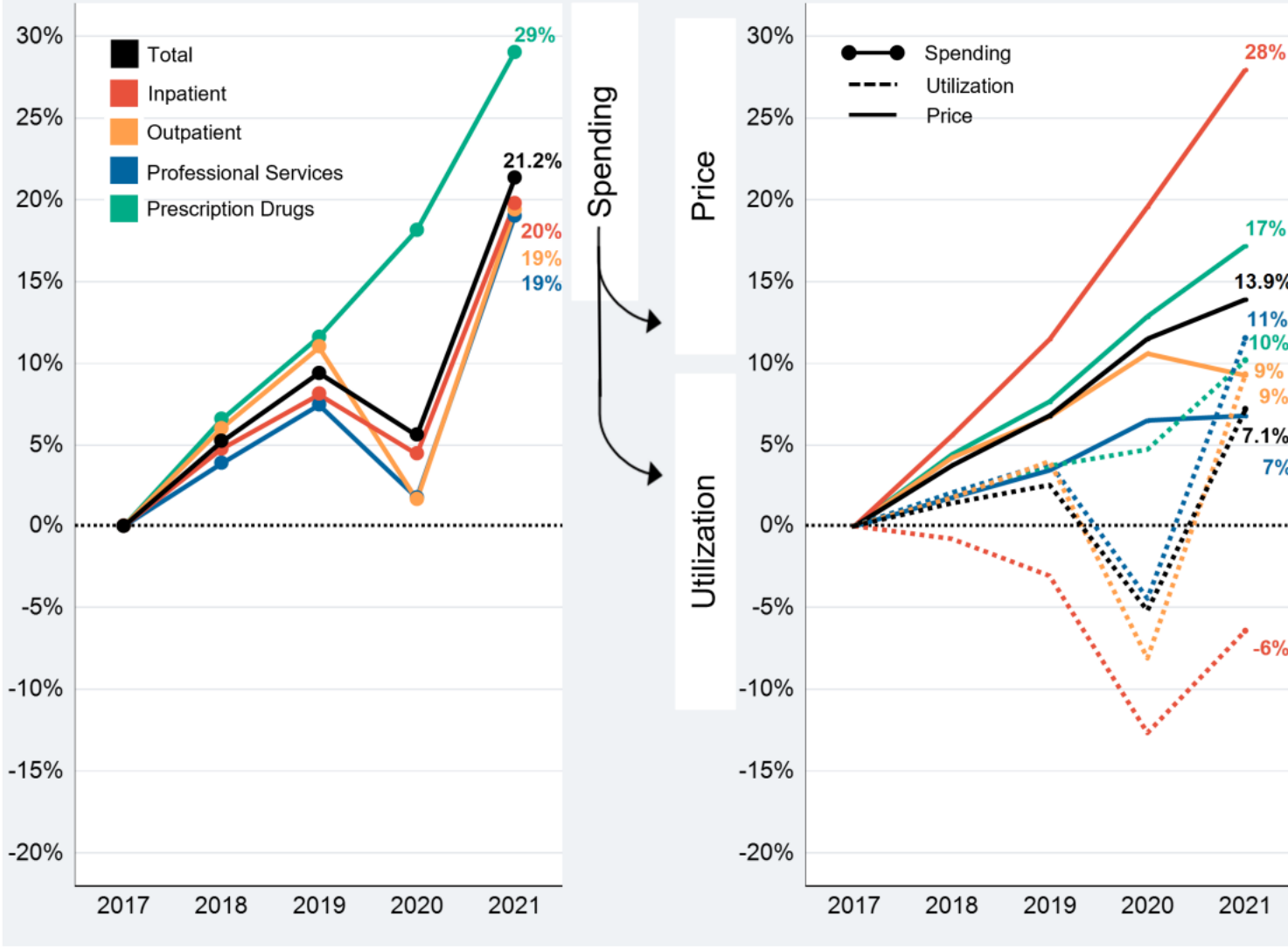
## Model Legislation and Contracts

- + International Reference Rates
- + Unsupported Price Increases
- + Anti-Price-Gouging
- + Licensing Pharmaceutical Representatives
- + Transparency
- + Importation
- + Affordability Review
- + Pharmacy Benefit Manager
- + State Purchasing Pool Buy-in



# Why focus on Rx?

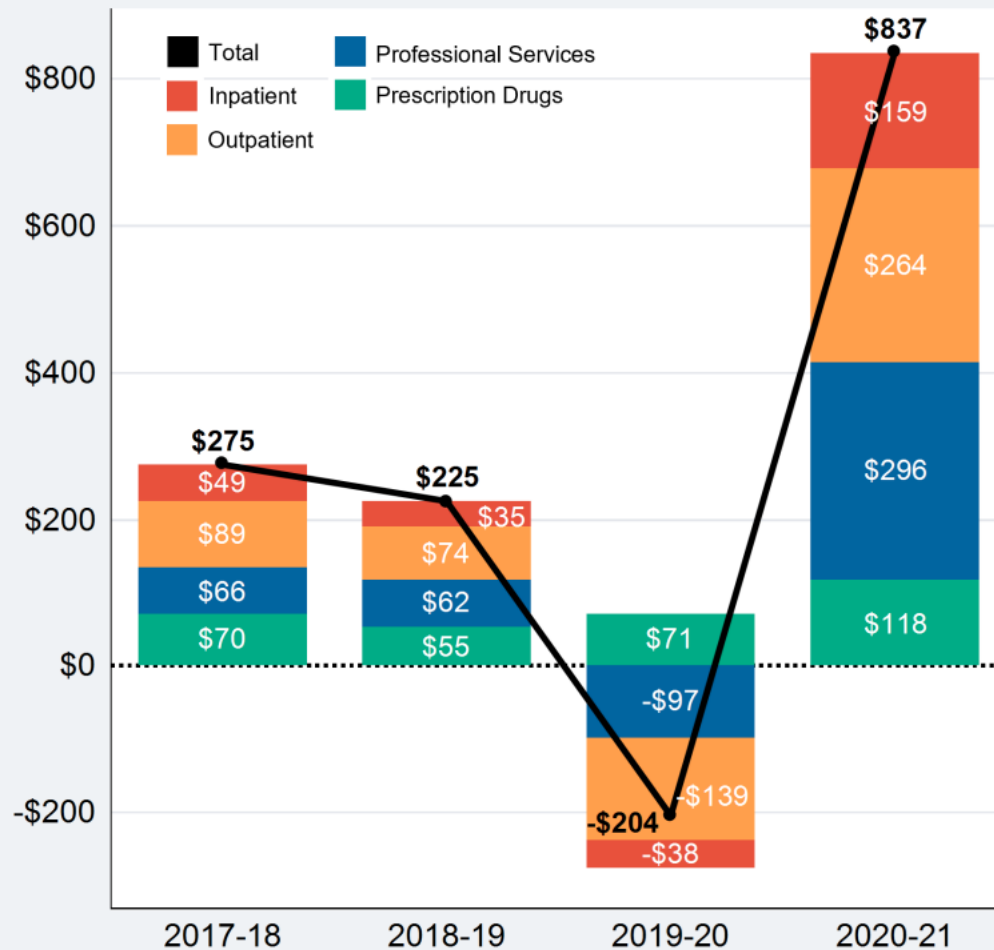
**Figure 4: Cumulative Percent Change in Spending per Person, Utilization, and Price by Service**



**Commercial spending on prescription drugs is increasing faster than other medical service sectors**

Source: [HCCI 2021 Cost and Utilization Report, 2023](#)

Figure 6: Annual Change in Spending per Person by Service



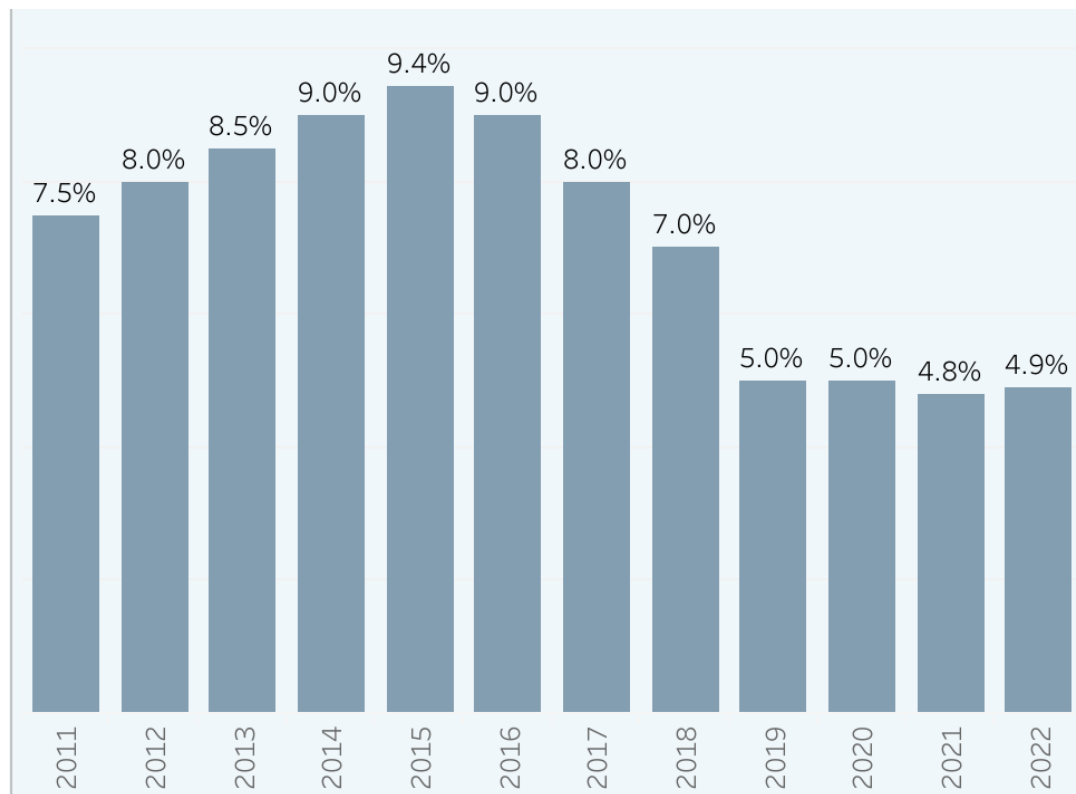
Source: [HCCI 2021 Cost and Utilization Report, 2023](#)

Nationally, prescription drug spending growth has been steady, even in 2020 with onset of COVID-19

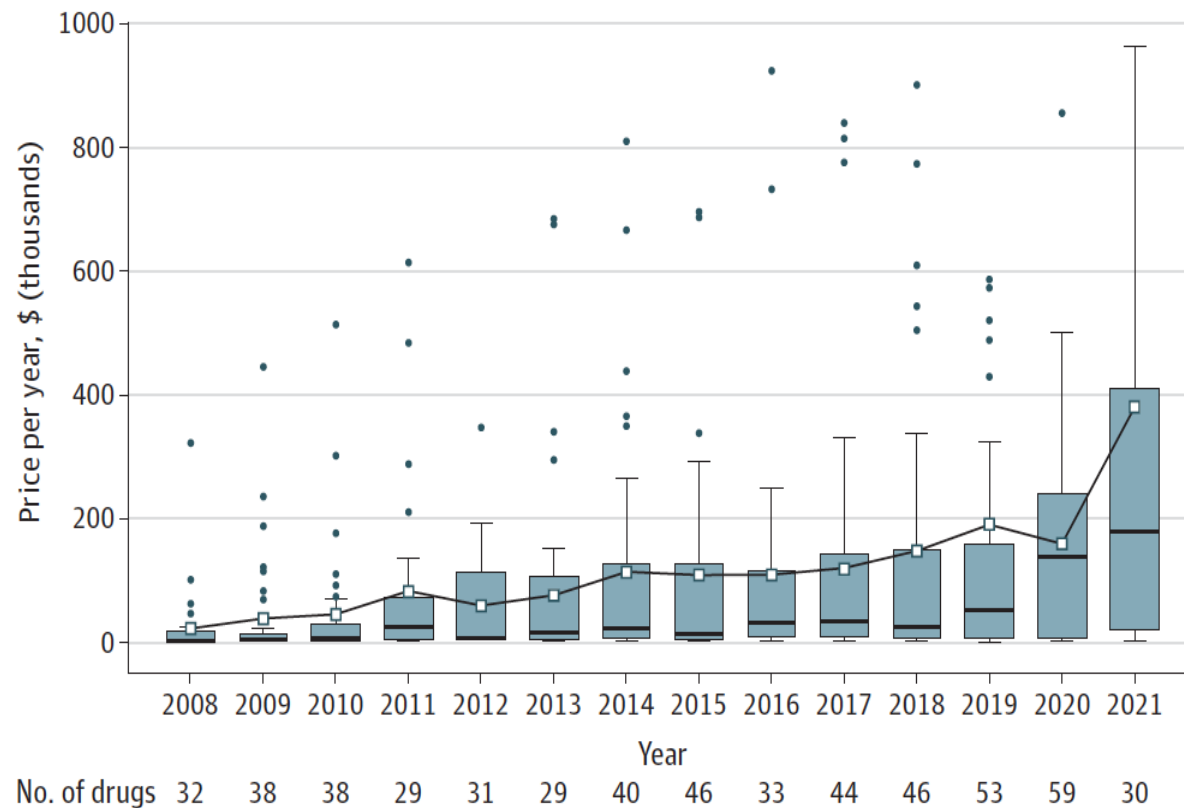


# Price Increases Moderate, Launch Prices Rise

## Median Percentage WAC Increase on Brand-name Drugs



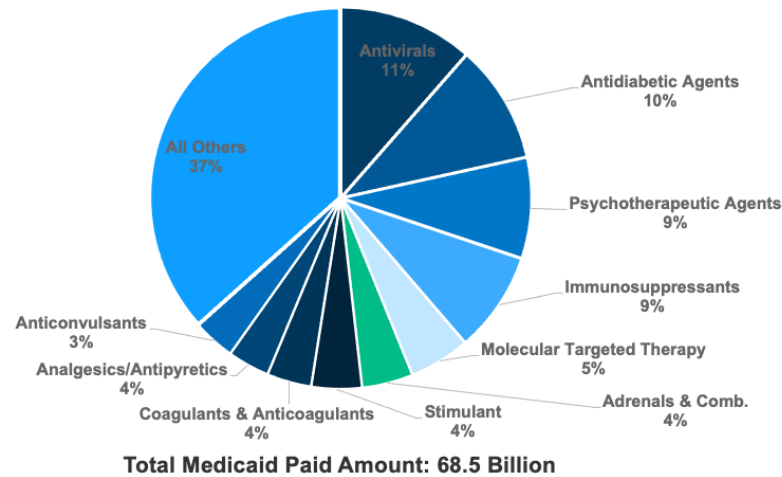
## Average Launch Prices Increased by 20% per year





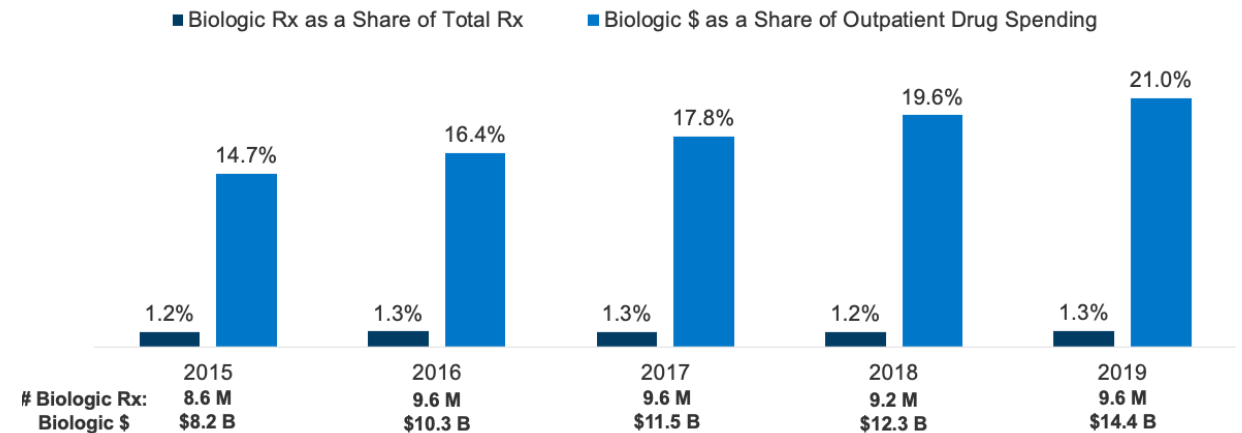
# Specific Drug Groups & Product Types Drive Spending

Gross Spending on Medicaid Outpatient Prescriptions by Drug Group, 2019



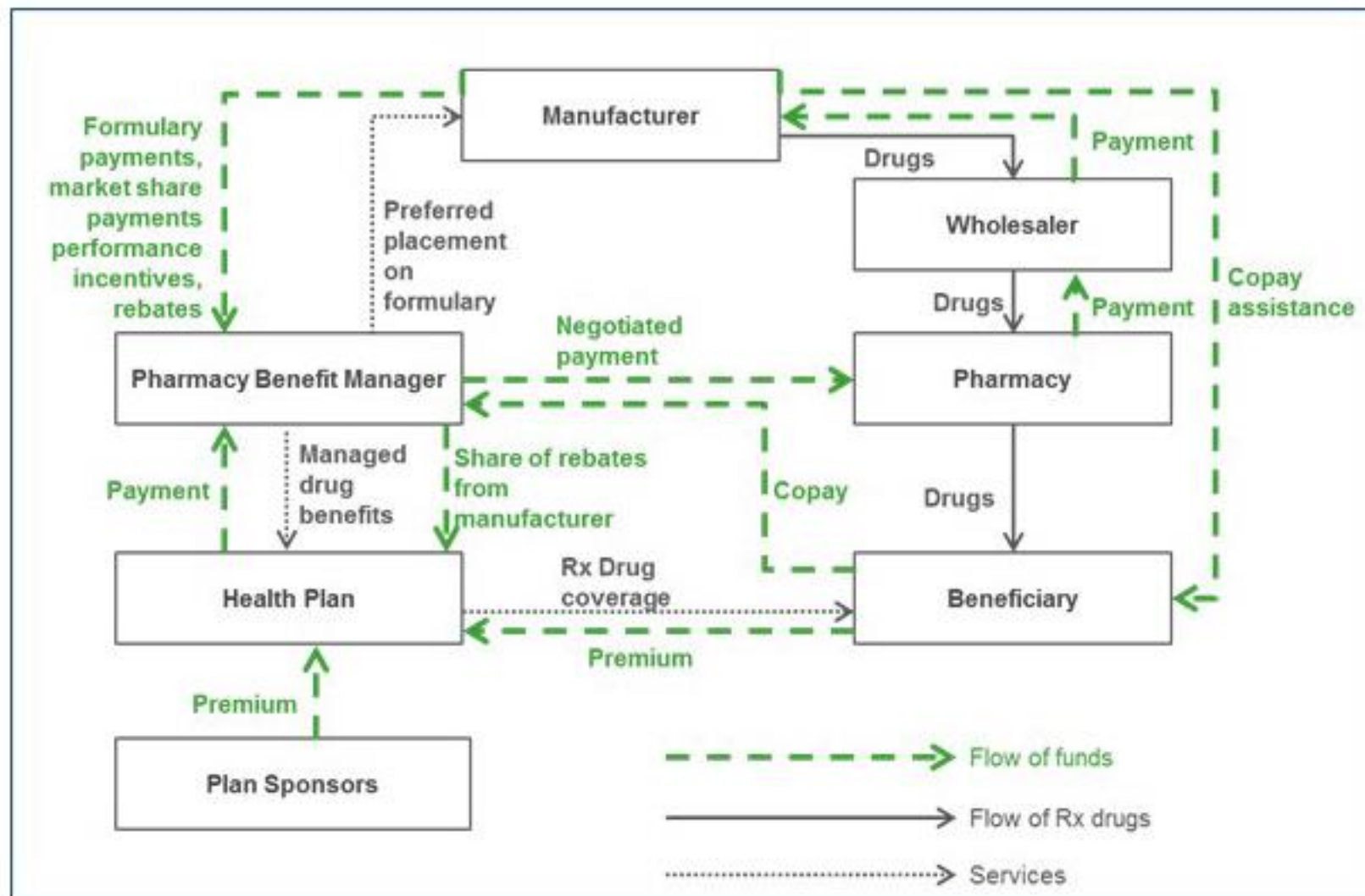
From 2015 – 2019, the ten most costly drug groups accounted for **almost two-thirds** of Medicaid spending before rebates.

Biologics as a Share of Number of Medicaid Prescriptions and Outpatient Drug Gross Spending, 2015-2019



Spending on biologics is disproportionate to their utilization. Biologics accounted for just over 1% of prescriptions, but **15% - 21% of Medicaid spending**.

# Flow of Products, Funds, & Services





# State Policy Interventions







# Snapshot of State Legislative Action

Year	2017	2018	2019	2020	2021	2022	2023*	Total	In # of states
Number of States Enacting Laws	13	28	37	19	23	19	9	50	
Total Laws Enacted	17	45	64	43	53	32	15	269	50
Affordability Review	1	0	3	0	2	2	2	10	8
Consumer Cost Sharing	1	0	4	13	13	8	3	42	26
Pharmacy Benefit Manager Study	7	32	33	21	23	17	9	142	46
Transparency	0	1	6	1	2	2		12	9
Volume Purchasing	3	4	7	4	7	2		27	20
Wholesale Importation from Canada	0	0	2	0	1			3	3
Other	0	1	4	2	1	1		9	6
	5	7	5	2	4		1	24	19

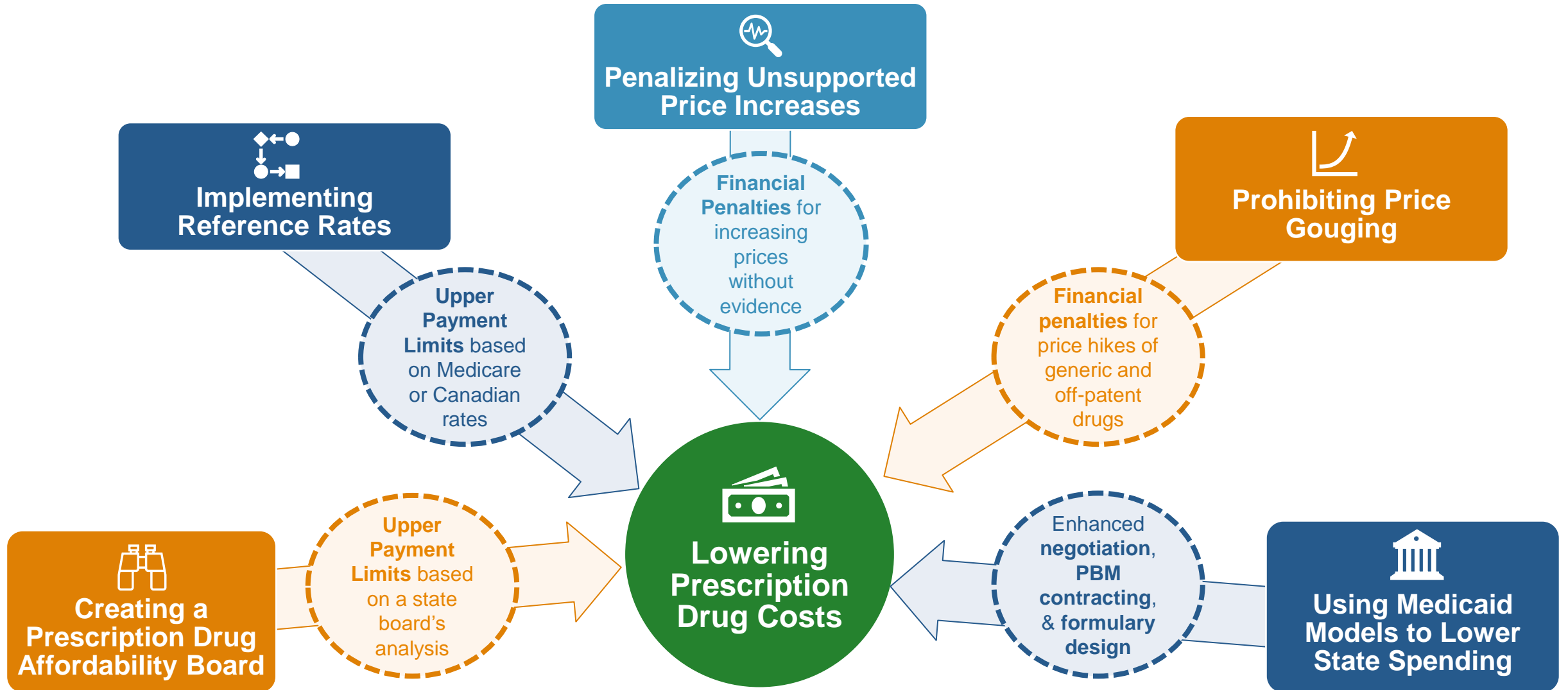
\*As of April 27, 2023

Since 2017, legislation to address prescription drug costs has been *introduced* in all 50 states and over 200 laws have been *enacted* to address prescription drug costs.

# Overview of State Rx Pricing Policy

Goal	Policy options	Impact
 <b>Transparency</b>	<ul style="list-style-type: none"><li>• All Payer Claims Database</li><li>• Reporting across the supply chain with state level analysis</li></ul>	Foundational!
 <b>Supply Chain Oversight</b>	<ul style="list-style-type: none"><li>• Pharmacy Benefit Managers<ul style="list-style-type: none"><li>• Contracts with health plans, understand payment for services</li><li>• Eliminate spread pricing</li></ul></li></ul>	Increases efficiency and provides insight, but doesn't affect price
 <b>Direct Consumer Assistance</b>	<ul style="list-style-type: none"><li>• Limit or reduce cost sharing</li><li>• Rebate pass through to the consumer at point of purchase</li></ul>	Important for individuals, but can have disproportionate impact statewide
 <b>Affordability Measures</b>	<ul style="list-style-type: none"><li>• Import prescription drugs from Canada (challenging to implement!)</li><li>• Adopt International Reference Pricing</li><li>• Leverage the IRA and adopt Medicare Reference Pricing</li><li>• Prohibit Unsupported Price Increases</li></ul>	Potential for largest impact on overall statewide spending, including per person \$

# State Policy Tools to Affect Price: Upper Payment Limits, Financial Penalties, & Active Purchasing



# Referenced-Based Prices: International Reference Rates Model

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## Why:

- Foreign countries pay a fraction of what Americans pay for prescription drugs
- Rate setting is a common approach in the health care sector – one that can be extended to setting rates for prescription drugs
- International prices offer a fair, easy-to-implement approach to rate setting

## Implementation Structure:

- State Employee Health Plan identifies 250 costliest drugs
- Insurance Commissioner crosswalks to Canadian prices
- Payers cannot pay more than that limit for drug
- Canadian price becomes upper payment limit for all payers (except Medicaid)
- ERISA: Self-funded plans may participate voluntarily
- Protects local pharmacies



# Examples of Canadian Rates

Drug Name & Dosage	US Price	Canadian Reference Rate*	Price Difference	Savings off US Prices
<b>Humira pen injector</b> (40 mg/0.4 ml pen) (arthritis, psoriasis, Crohn's)	\$8,109.66	\$1,046.08	\$7,063.58	87%
<b>Stelara</b> (90 mg/ml syringe) (arthritis, psoriasis, Crohn's)	\$13,258.50	\$3,158.80	\$10,099.70	76%
<b>Enbrel pen injector</b> (50 mg/1 ml pen) (arthritis, psoriasis, Crohn's)	\$6,419.24	\$1,049.08	\$5,370.16	84%
<b>Ozempic</b> (4 mg/3 ml syringe) (diabetes)	\$821.01	\$142.90	\$678.11	83%
<b>Skyrizi pen injector</b> (150 mg/1 ml pen) (arthritis, psoriasis, Crohn's)	\$7,087.79	\$3,615.42	\$3,472.37	49%
<b>Dupixent pen injector</b> (300 mg/2 ml pen) (eczema, asthma)	\$3,386.18	\$1,374.88	\$2,011.30	59%
<b>Humira pen injector</b> (40 mg/0.8 ml pen) (arthritis, psoriasis, Crohn's)	\$7,724.08	\$1,046.46	\$6,677.62	86%
<b>Trulicity pen injector</b> (1.5 mg/0.5 ml pen) (diabetes)	\$810.32	\$123.28	\$687.04	85%
<i>Average discount based on select, high-cost drugs in 2022</i>				<b>76%</b>



# Referenced-Based Prices: Leveraging the IRA

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- **The recently enacted Inflation Reduction Act (IRA) presents another source of reference-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

# Medicare Drug Price Negotiations

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## Process:

- HHS compiles list of drugs that meet the criteria
- From those drugs HHS selects the first 10 drugs off the list in order of highest to lowest spending (not discretionary)
- HHS requests information from manufacturers of drug on list
- HHS reviewing information and offers a Maximum Fair Price
- Manufacturers can accept or propose a counteroffer
- HHS publishes final and binding Maximum Fair Price which is binding
- Strong penalties for lack of compliance/No judicial review

# 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



# Medicare Drug Price Negotiations: Opportunities for States to Reference MFPs

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NASHP's  
International  
Reference Rate  
Model can be  
adapted to:

Reference Medicare  
Maximum Fair Prices  
instead of Canadian  
Prices

or

Reference Medicare  
Maximum Fair Prices  
and Canadian Prices

# Prohibiting Unsupported Price Increases

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## Why:

- Under this model, manufacturers are fined for certain price increases that are ***unsupported by clinical evidence***
- States can use penalty revenue to provide cost assistance to consumers
- Penalties would target frequently prescribed, high-cost drugs, such as Humira, whose price doubled from \$19,000 to \$38,000 between 2012 and 2018.
- By leveraging an existing public report, the model minimizes administrative burden for states

## Implementation Structure:

- ICER produces an annual report identifying drugs with unsupported price increases outpacing 2x medical inflation that are the greatest drivers of net spending
- State tax authority is used to assess penalties on manufacturers with an unsupported price increase
  - Penalties = 80% of excess revenues (i.e., revenue from unsupported portion of price increase)
- Manufacturers must report information on total sales revenue in the state to the Tax Assessor to determine the penalty owed

# Potential UPI Penalty Impact

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## Impact:

- Because ICER's analysis targets drugs with the greatest impact on net spending, penalties can result in millions in revenue for a state
- Model Act specifies that revenue must be used to offset costs to consumers

## Hypothetical Penalty Example:

- Imagine a drug with an unsupported price increase of \$360:
  - 2018 – The list price (WAC) for a month's supply was \$3,000
  - 2019 – The list price (WAC) for a month's supply was \$3,360
- The 2018 price adjusted for inflation at 2.3% would have been approximately \$3,070, so the penalty to the manufacturer for the unsupported price increase in 2019 would be calculated as follows:
  - Excess Revenue:  $\$3,360 - \$3,070 = \$290 \times 10,000 \text{ prescriptions} \times 12 \text{ months} = \$34.8 \text{ million}$
  - Penalty:  $\$34.8 \text{ million} \times 80\% \text{ penalty} = \$27.8 \text{ million}$

## 2019 ICER Report Results

	Q42016 to Q42018 Wholesale Acquisition Cost (WAC) Increase	Q42016 to Q42018 Estimated Average Net Price Increase	US Spending Impact of Net Price Increases in 2017 and 2018 (in Millions)
<b>Humira</b>	19.1%	15.9%	\$1,857
<b>Lyrica</b>	28.3%	22.2%	\$688
<b>Truvada</b>	14.3%	23.1%	\$550
<b>Rituxan</b>	17.0%	13.8%	\$549
<b>Neulasta</b>	14.6%	13.4%	\$489
<b>Cialis</b>	26.2%	32.5%	\$403
<b>Tecfidera</b>	16.7%	9.8%	\$313

**According to ICER, the net unsupported price increases for these seven drugs was \$4.8 billion over two years.**

# Challenges

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- **340B program** – federal program providing low-cost acquisition price to certain entities, including hospitals, some pharmacies, etc., that allows full reimbursement amount from payer, creating a revenue source for provider
  - Potential solution – transparency on 340B to understand the scope of the program, the funds provided to key recipients, etc. to inform policy
- **Strong stakeholder pushback**
- **Identify infrastructure support** – which office, agency in state responsible for execution and oversight of the policy?



# Opportunity

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- **Significantly lower prices on prescription drugs** for residents and payers, including employers and their employees, health plans, the state, etc.

# Thank you!



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