



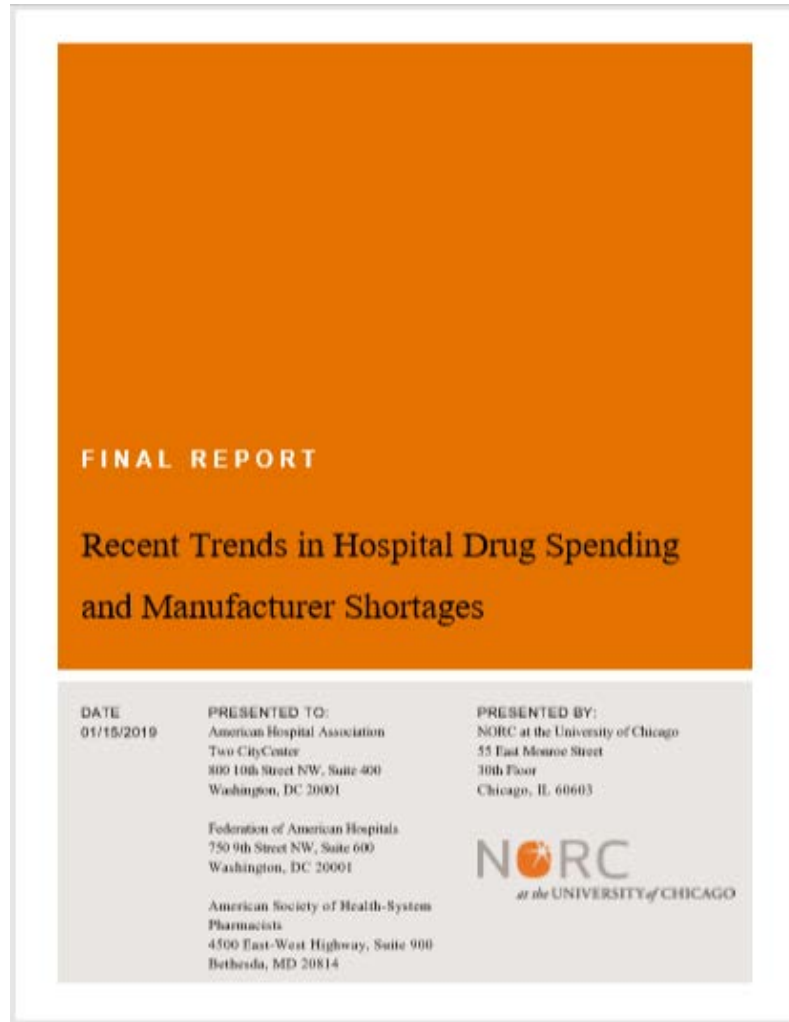
**American Hospital
Association™**

Advancing Health in America

Recent Trends in Hospital Drug Spending and Manufacturer Shortages

June 2020

Background

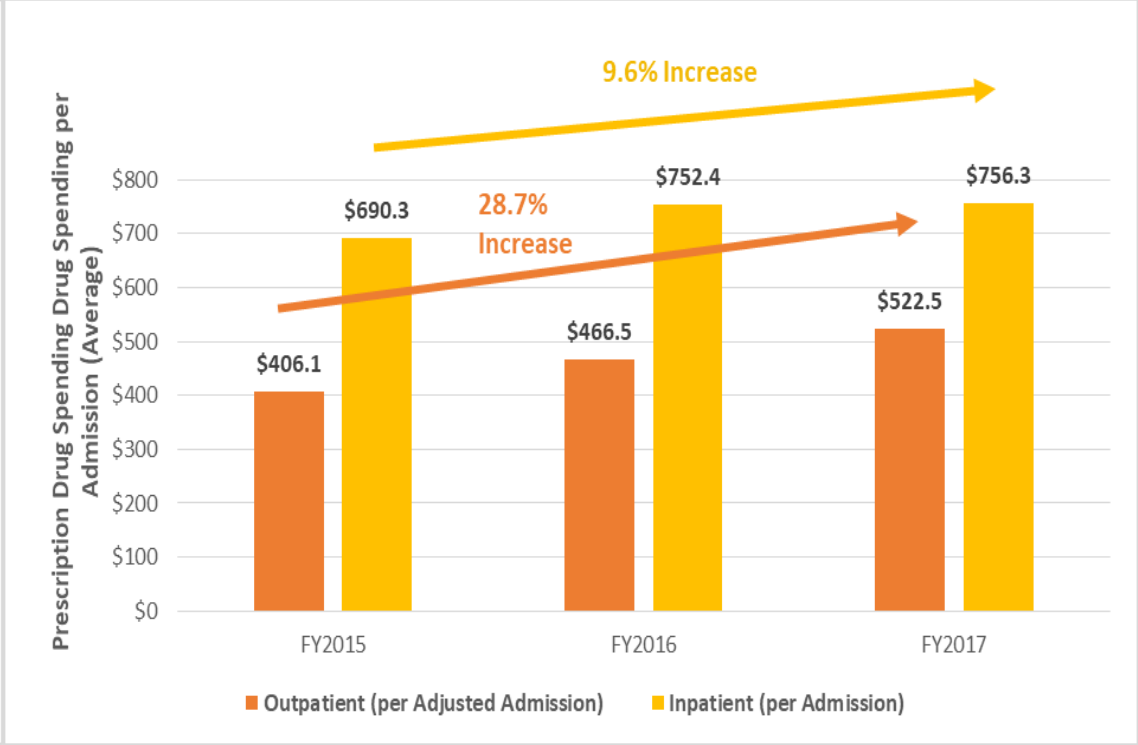
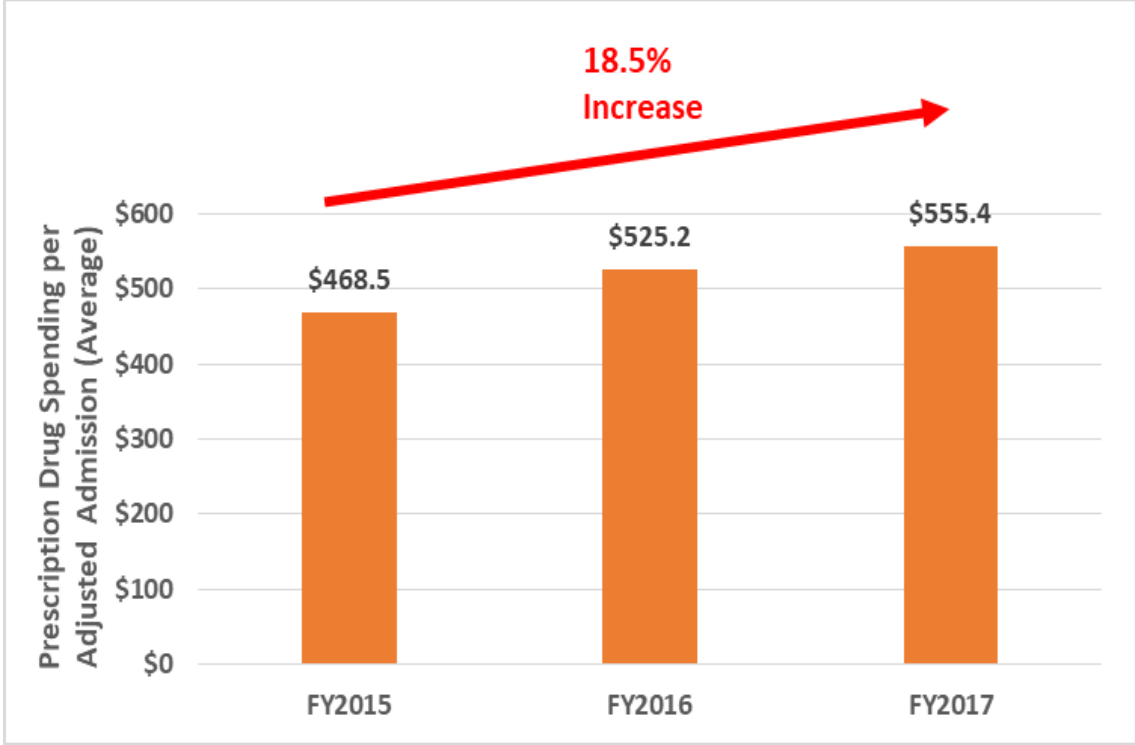


- In January 2019, the AHA, the Federation of American Hospitals (FAH), and the American Society of Health-System Pharmacists (ASHP) released a report finding that continued rising drug prices, as well as shortages for many critical medications, are impacting patient care and putting strains on hospital budgets and operations.
- The report was prepared based on analysis conducted by NORC at the University of Chicago, an independent research institution.
- The report updated and expanded on a previous AHA/FAH report from 2016 on skyrocketing inpatient hospital drug cost increases by also analyzing outpatient drug costs and the impact of drug shortages.

Key Findings

- Average total drug spending per hospital admission increased by **18.5 percent**
 - Outpatient drug spending per adjusted admission increased 28.7 percent
 - Inpatient drug spending per admission increased 9.6 percent
- Increases continued even after spending on drugs in the inpatient setting shot up **38.7 percent** from FY13-15 as a result of high prices.
- Hospitals experienced price increases in excess of 80 percent across different classes of drugs, including those for anesthetics, opioid agonists and chemotherapy

Spending Increases Continue After Historic Spikes



Impact of High Drug Prices

- Hospitals and health systems continued to experience high annual growth in drug spending that far exceeds medical inflation and Medicare payment updates
- Over 90 percent of surveyed hospitals reported having to identify alternative therapies to mitigate the impact of drug price increases and shortages
- One in four hospitals had to cut staff to mitigate budget pressures

EXAMPLES OF SIGNIFICANT CHANGES IN DRUG PRICES:

- **Activase®** (alteplase) – A widely used drug to treat persons with heart attack (acute myocardial infarction) and stroke. Unit prices for Activase increased by 18.8 percent from \$3,486 in CY 2015 to \$4,143 in CY 2017.
- **Immunosuppressants** – Three of the top 10 drugs by total spending are immunosuppressants (Remicade®, Humira®, Enbrel®) used to treat rheumatoid arthritis and other auto-immune conditions. The unit prices for these drugs increased between 15 and 21 percent from CY 2015 to 2017.
- **Orphan Drugs** – Five of the top spending drugs for hospitals (Remicade®, Humira®, Riuxan®; Prolia®; and Procrit®) have orphan drug status for at least one of their indications and thus receive additional patent protections, as well as other benefits under the Orphan Drug Act. In the case of Humira, a patent settlement between AbbVie and Amgen has extended the exclusivity of the drug until 2023.
- **Hepatitis C** – Notably, market competition may have reduced unit prices for Harvoni®, which is used to treat Hepatitis C. In CY 2015, the unit price for Harvoni® was \$84,000 for a 12-week course of treatment. Entry of a new competitor drug – Zepatier® by Merck - may have led to a decrease in the price of Harvoni® in CY 2017 of 15 percent

2020 Survey and Next Study (Tentative):

- Survey Covers 2017-2019 Data
 - Continued focus on inpatient, outpatient and drug shortages
 - PLUS new focus on high launch prices, patient impact and potential COVID additions
- COVID-19 Pandemic Impact on Survey and Study Timeline
- Goals:
 - Continue to highlight the impact of high drug prices on hospitals and health systems
 - Increased focus on impact on patient access to care



Moving Forward

- Access to high quality, affordable health care remains our highest priority
- And lowering the price of prescription drugs remains the top health priority for patients.
- This means lowering Rx prices for consumers at the pharmacy counter as well as for hospital purchasers.
- While there is not a single policy that will solve the prescription drug pricing crisis...
- There are a number of sensible solutions that, working together, would help rein in the price of prescription drugs

Solutions

- Ever-Greening
 - In some instances, drug manufacturers attempt to “ever-green” a product when they apply for patent and market exclusivity protections for a “new” product that is essentially the same as the original product. In order to combat Congress give the FDA the ability to deny patents for products that are simply modifications of existing products.
- Pay-for-Delay
 - Pay-for-Delay continues to present significant barriers to affordable drug prices. We recommend that the Federal Trade Commission (FTC) clarify that these practices are presumptively illegal, and urge the inclusion of additional resources for the FTC to investigate these and other settlements.
- Expedite Entry of Generic Competitors
 - The FDA voluntarily undertook this approach, which we believe this approach should be codified in law. Additionally, we support ensuring that the FDA has the resources it needs to continue this effort.
- Limit Orphan Drug Incentives to True Orphan Drugs
 - In some instances, manufacturers have received orphan drug status for drugs that they subsequently marketed for other, non-rare indications. In these cases, manufacturers are receiving the incentives for drugs that are broadly used.



STATE OF WISCONSIN

**GOVERNOR'S TASK FORCE ON
REDUCING PRESCRIPTION DRUG PRICES**