



STATE OF WISCONSIN

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

Examining the Landscape of Drug Pricing, Spending and Affordability

Robert Popovian, Pharm.D., MS
Vice President, US Government Relations
Pfizer Inc

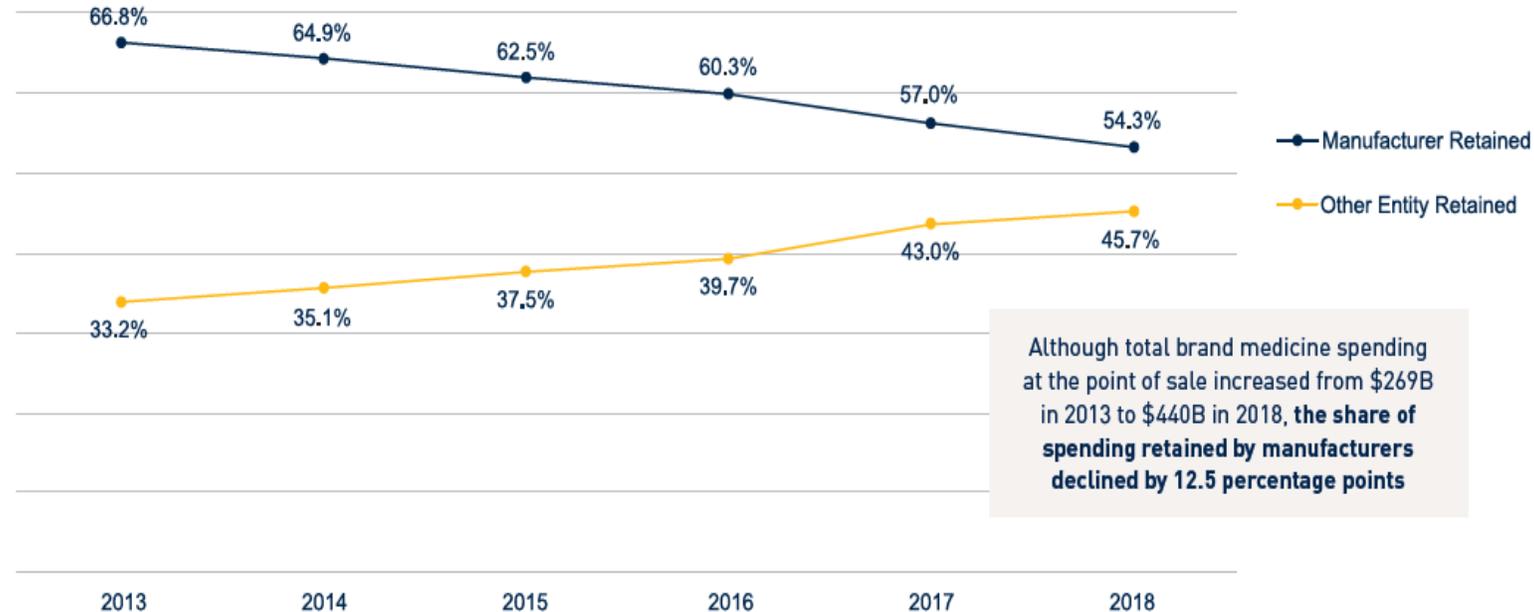


A Lot of Healthcare Players Have Their Hand in the Drug Pricing/Spending Cookie Jar!



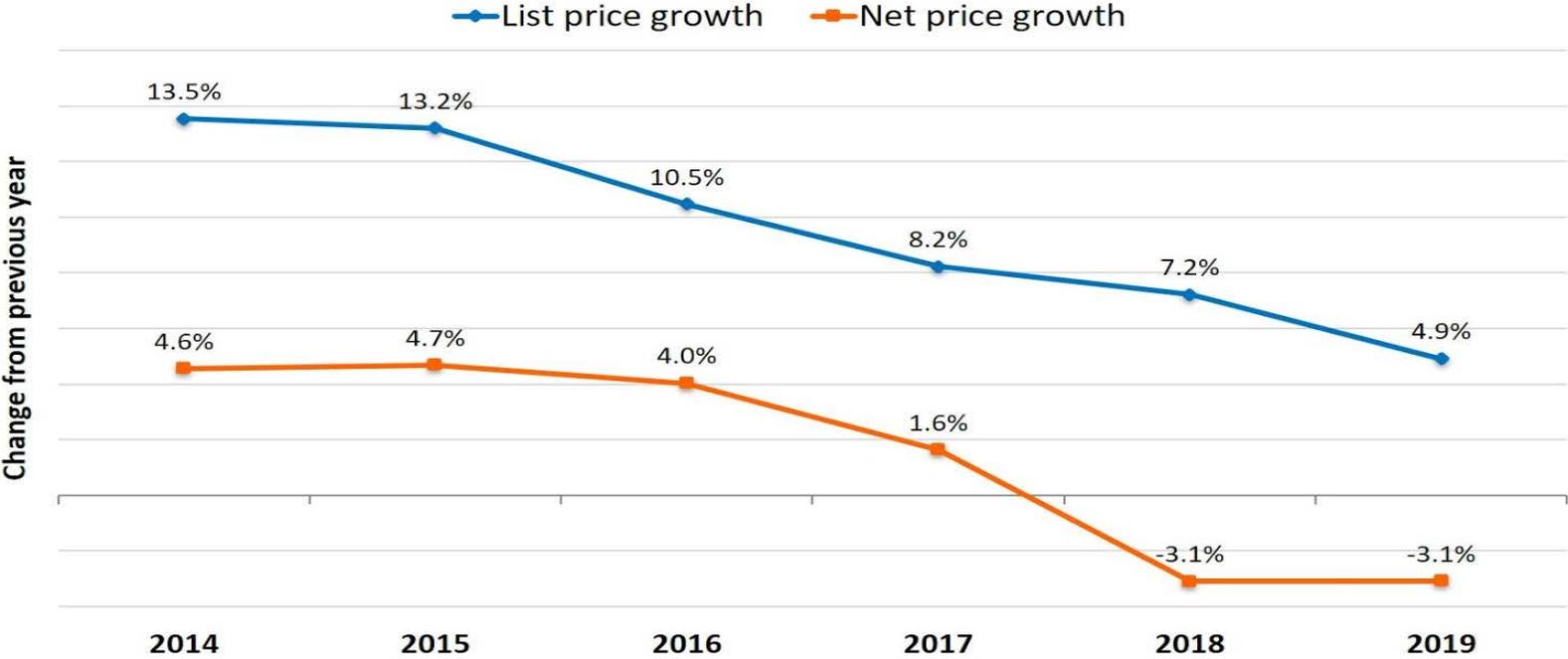
Almost 50% of Brand Name Spending is Retained by the Supply Chain

Percentage of Total Point of Sale Brand Medicine Spending Retained by Manufacturers and Other Entities, 2013-2018



List to Net Price Differential

List vs. Net Price Growth for Brand-Name Drugs, 2014 to 2019



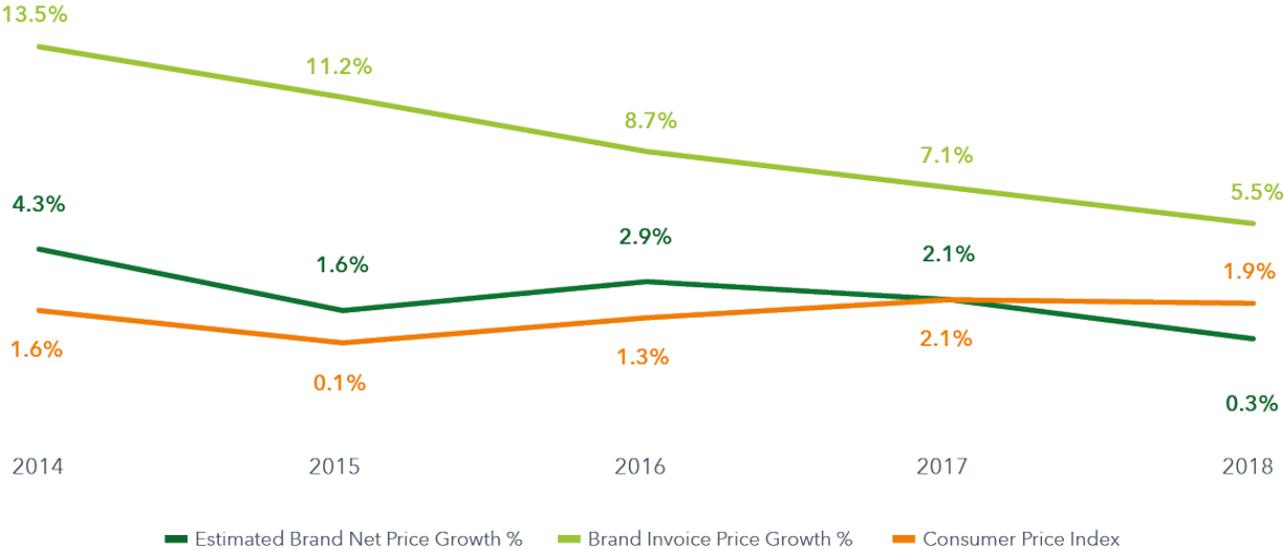
Source: Drug Channels Institute analysis of SSR Health data. List and estimated net pricing figures are based on data for approximately 1,000 brand-name drugs with disclosed U.S. product-level sales from approximately 100 currently or previously publicly traded firms. The products and companies account for more than 90% of U.S. branded prescription net sales. Net prices equal list price minus off-invoice rebates and such other reductions as distribution fees, product returns, chargeback discounts to hospitals, price reductions from the 340B Drug Pricing Program, and other purchase discounts. Data for 2019 reflect first three quarters only.

Published on Drug Channels (www.DrugChannels.net) on January 9, 2019.



List to Net Price Differential

Protected Brand Invoice and Net Price Growth %



Source: IQVIA National Sales Perspectives, Jan 2019; IQVIA Institute, Apr 2019
 Chart notes: "Invoice" values are IQVIA reported values from wholesaler transactions measured at trade/invoice prices and exclude off-invoice discounts and rebates that reduce net revenue received by manufacturers. "Net" values denote company recognized revenue after discounts, rebates and other price concessions. Results are based on a comparative analysis of company reported net sales and IQVIA reported sales and prices at product level for branded products representing 75–93% of brand spending in the period displayed. All growth is calculated over same cohort of products in the prior year. See Methodology section for more details. Includes all medicines in both pharmacy and institutional settings.
 Report: Medicine Use and Spending in the U.S. – A Review of 2018 and Outlook to 2023. IQVIA Institute for Human Data Science, May 2019

“Average price growth for 2019 was 0.2% compared to 1.6% in 2018; 2019 showed the slowest price growth since 1972.”

<https://altorum.org/sites/default/files/uploaded-publication-files/January%202020%20Price%20Brief.pdf>

“2.3% , trend for commercial plans in 2019, driven by a 1.4% increase in utilization and a 0.9% rise in unit cost”

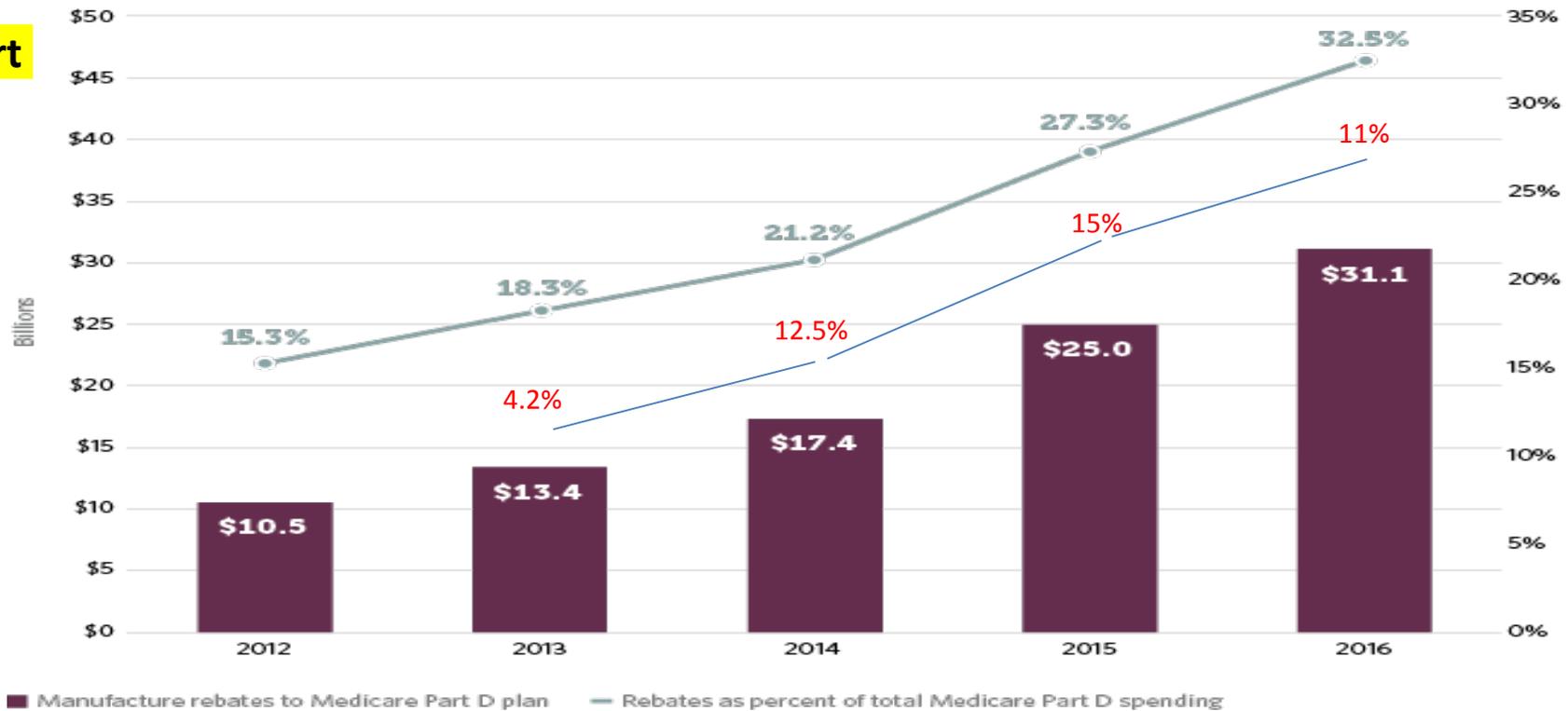
“<1%, increase in unit cost for commercial plans, even as list prices for brand drugs jumped 5.2%”

<https://www.express-scripts.com/corporate/drug-trend-report#2019-by-the-numbers>



Rebates Growing Faster than Medicare Part D Spending

Figure 7
Manufacturer Rebates in Medicare Part D, 2012-16



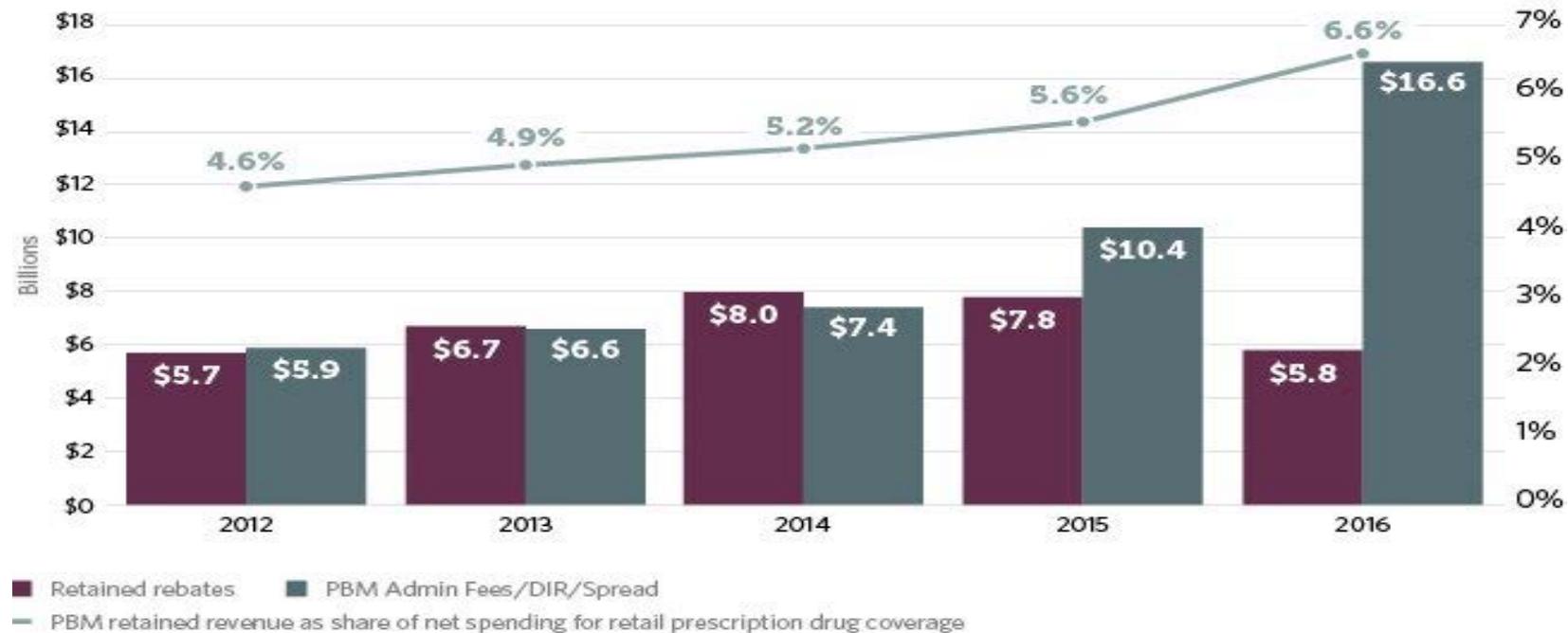
© 2019 The Pew Charitable Trusts

Growth in Medicare Part D Spending From 2017-2018 = - 5%



It's Not Just About Rebates!

Figure 9
PBM Retained Revenue on Retail Prescription Drugs by Source and Share of Net Spending for Retail Prescription Drug Coverage, 2012-16



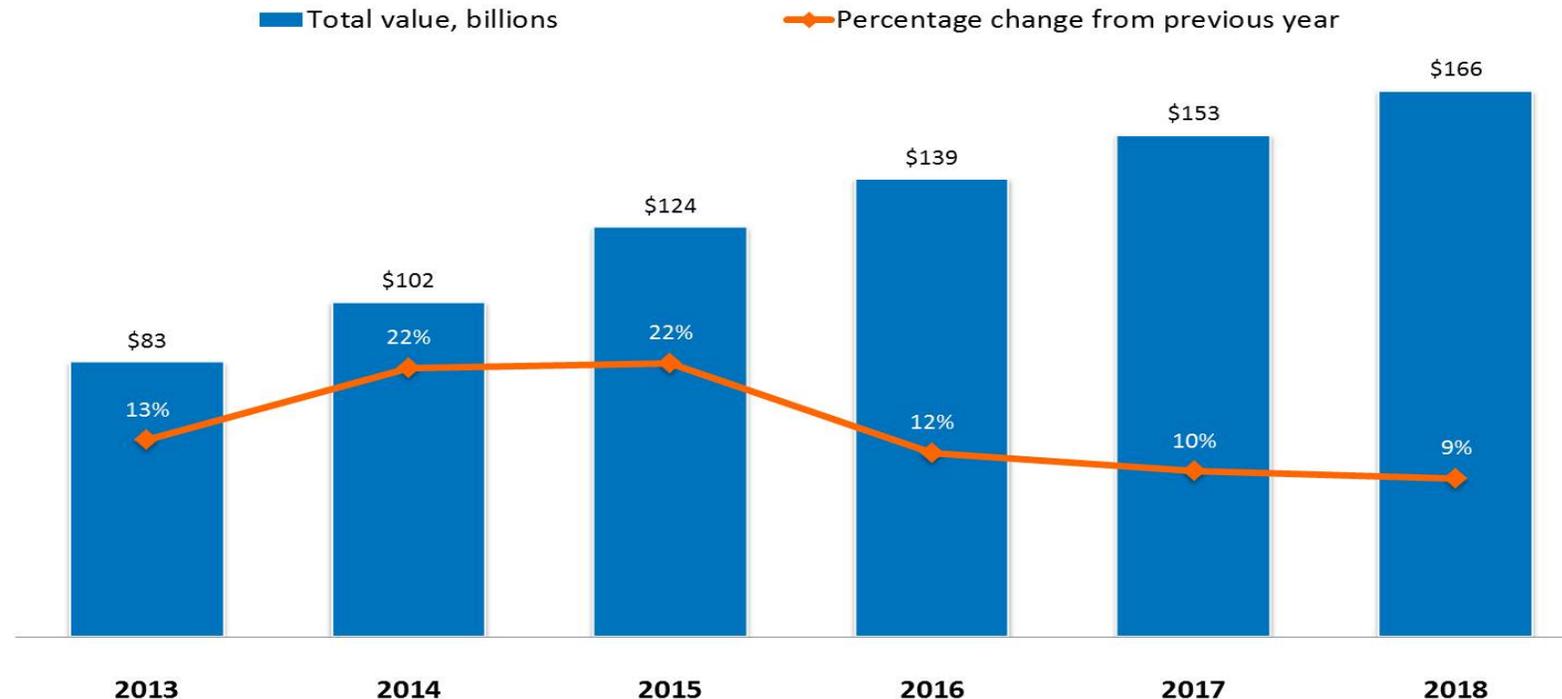
© 2019 The Pew Charitable Trusts



Concessions Paid to the Middlemen

From 2013– 2018 rebates/fees paid by biopharmaceutical companies has increased by ~100%

Total Value of Pharmaceutical Manufacturers' Gross-to-Net Reductions for Brand-Name Drugs, 2013 to 2018

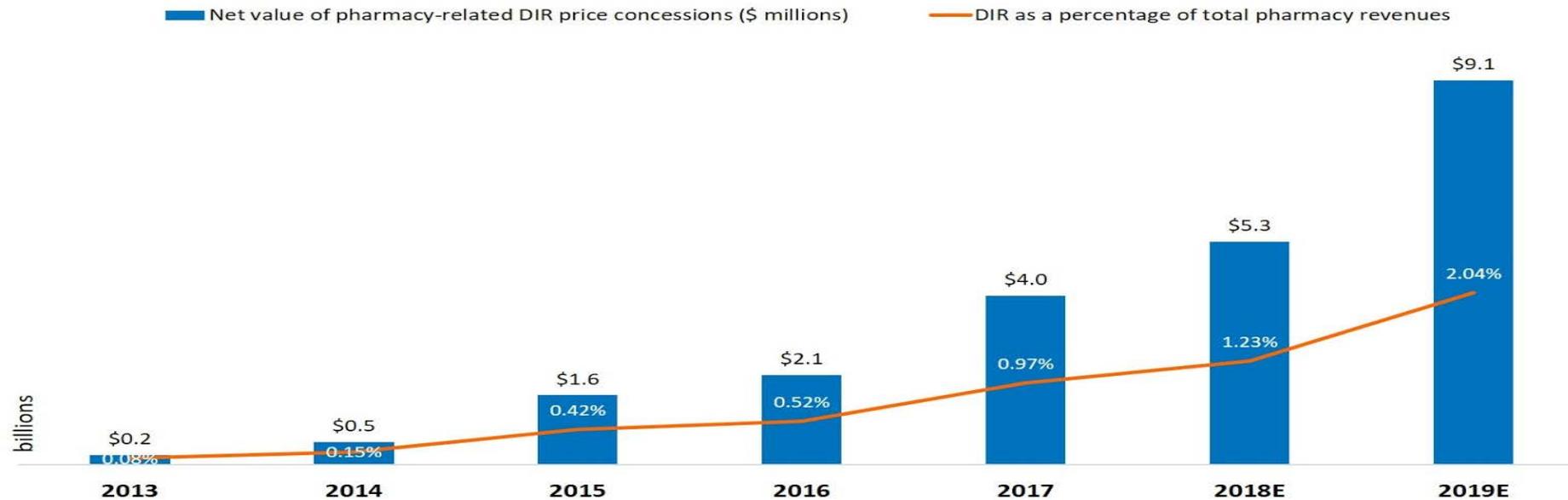


Source: Drug Channels Institute analysis of IQVIA Institute data; Drug Channels Institute estimates. Gross-to-Net Reductions include the total value of rebates, off-invoice discounts, copay assistance, price concessions, and such other reductions as distribution fees, product returns, the 340B Drug Pricing Program, and more.

This chart appears as Exhibit 141 in *The 2019 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Drug Channels Institute. Available at <http://drugch.nl/pharmacy>

Concessions Paid to the Middlemen by Pharmacies

Net Value of Pharmacy DIR Fees in Medicare Part D, 2013 to 2019



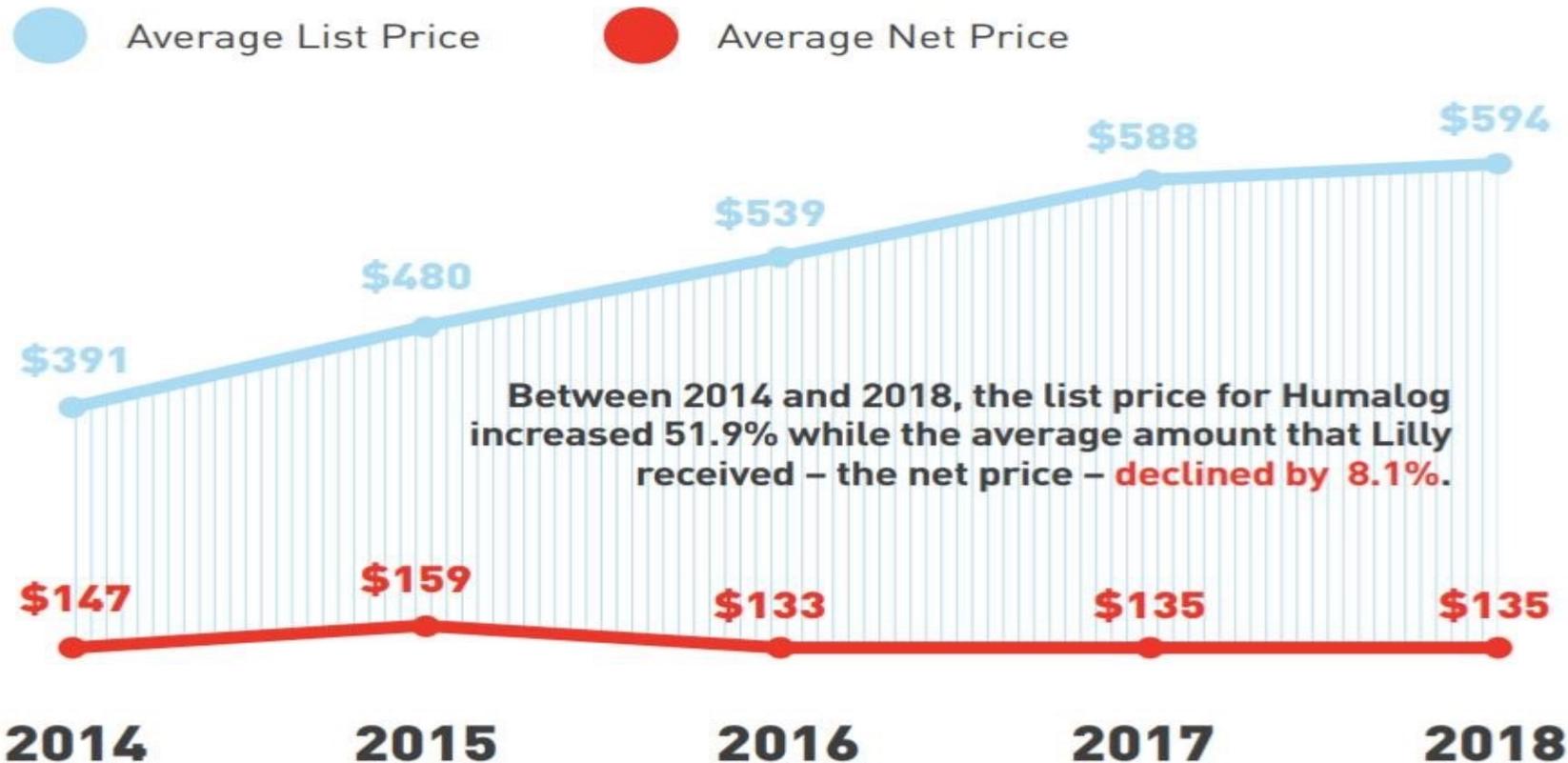
DIR = Direct and Indirect Remuneration

Source: Drug Channels Institute analysis of data reported by the Centers for Medicare & Medicaid Services and U.S. Government Accountability Office (2013 to 2017); Drug Channels Institute estimates based on Inmar Intelligence data on DIR as percentage of pharmacy revenues (2018 to 2019). Figures in billions.

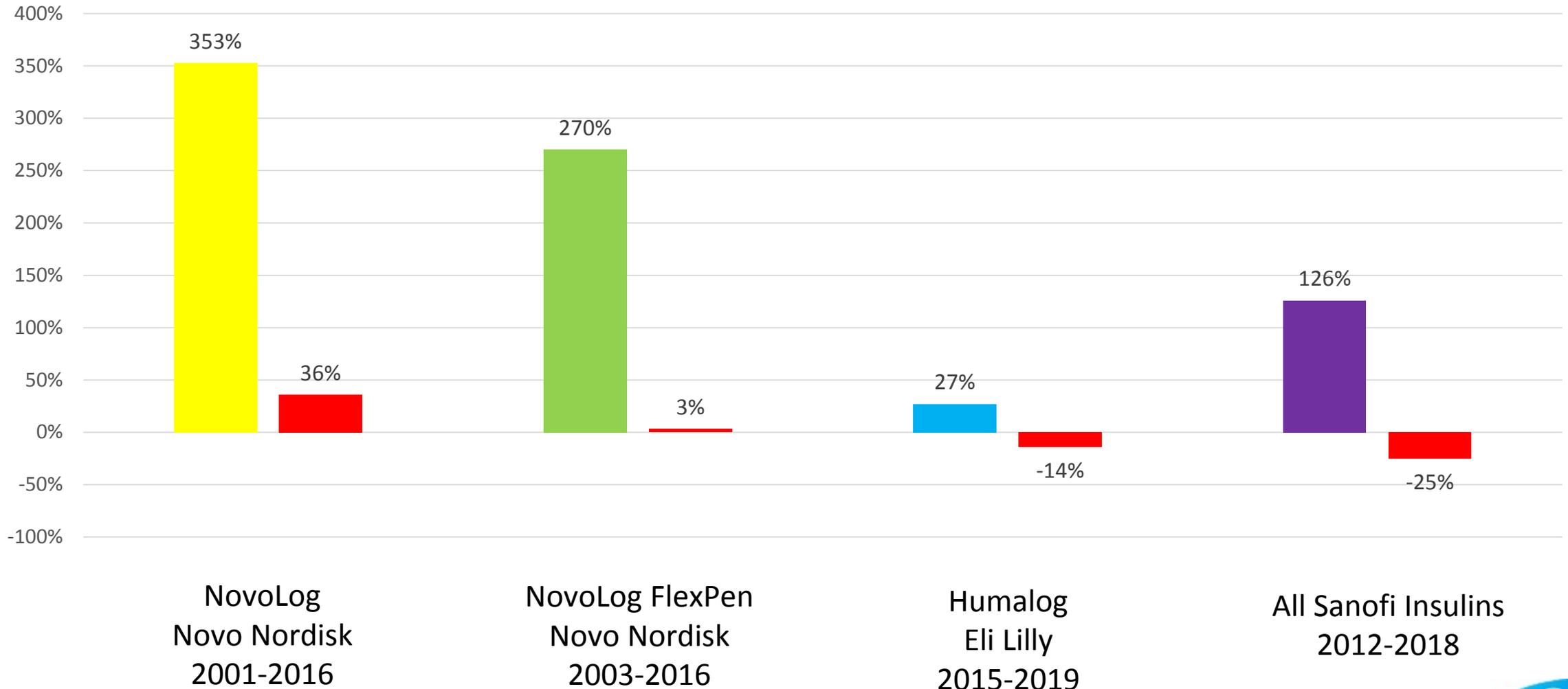
Published on Drug Channels (www.DrugChannels.net) on February 13, 2020.

List Prices GO UP – Net Prices GO DOWN Who Benefits? Where Does the \$ Go?

HUMALOG® (U100) AVERAGE LIST AND NET PRICE (USD) PER PATIENT PER MONTH, IF TAKEN AS PRESCRIBED²



More Insulin Price Distortion

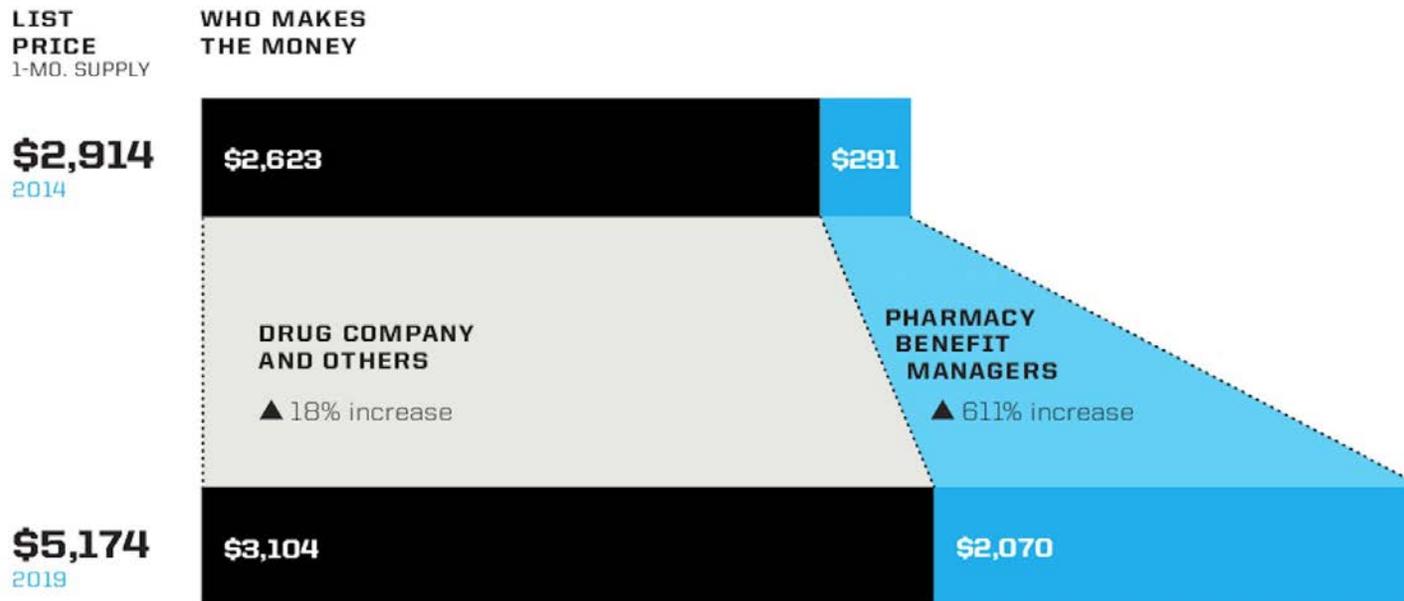


List Prices GO UP – Net Prices GO DOWN

Who Benefits? Where Does the \$ Go?

Anatomy of a Drug Price: Humira

In recent years, the full list price for Humira—an arthritis drug—has jumped, in part as middlemen in the drug supply chain called pharmacy benefit managers have taken a bigger cut. As a result, the cost to consumers—who often have to pay 30 percent of the drug's list price as coinsurance—has also risen sharply.



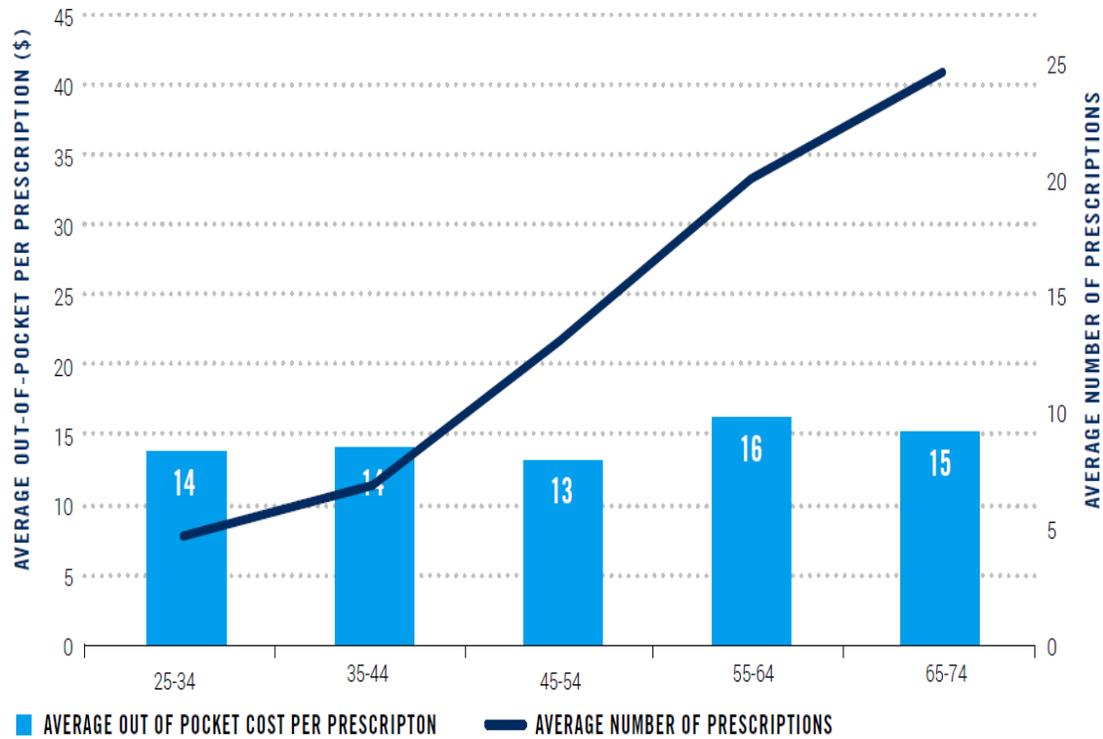
Questions of Interest

What Drives OOP Spending?

UTILIZATION

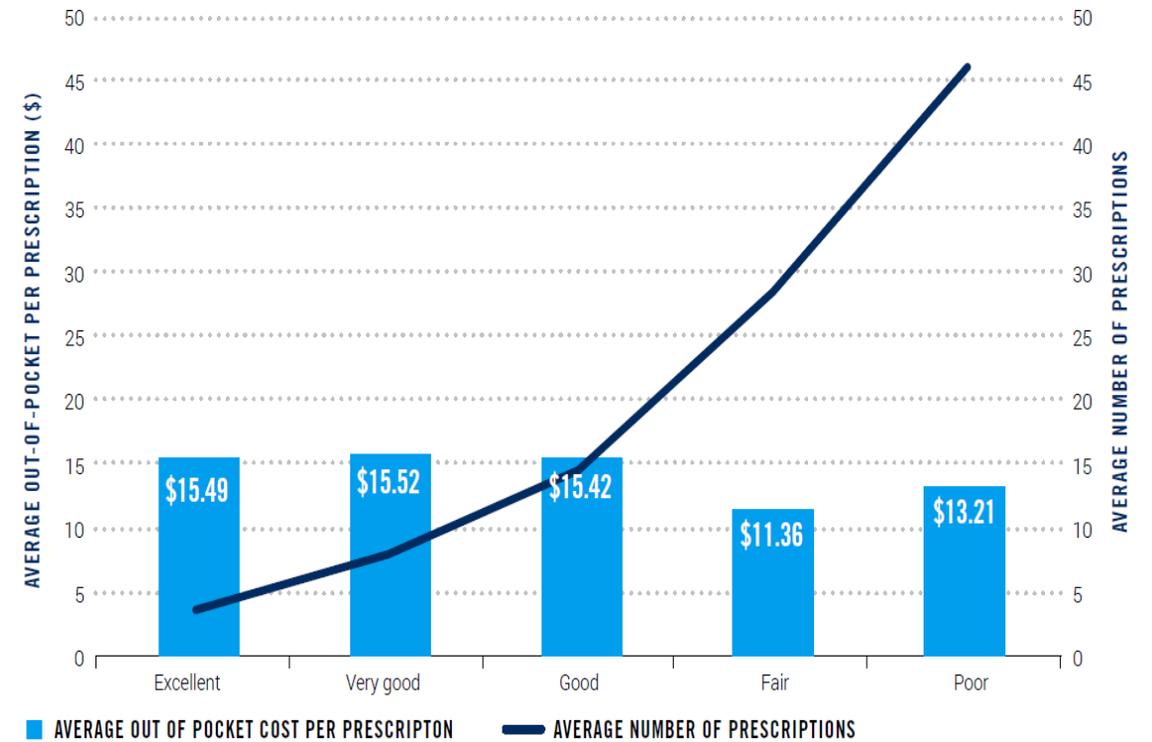
POOR HEALTH

FIGURE 6. THE AGE-BASED PRESCRIPTION ESCALATOR IS DRIVEN MAINLY BY RISING UTILIZATION, NOT HIGHER PRICES



Source: MEPS

FIGURE 7. THE HEALTH-BASED PRESCRIPTION ESCALATOR IS DRIVEN BY RISING UTILIZATION, NOT HIGHER PRICES



Source: MEPS

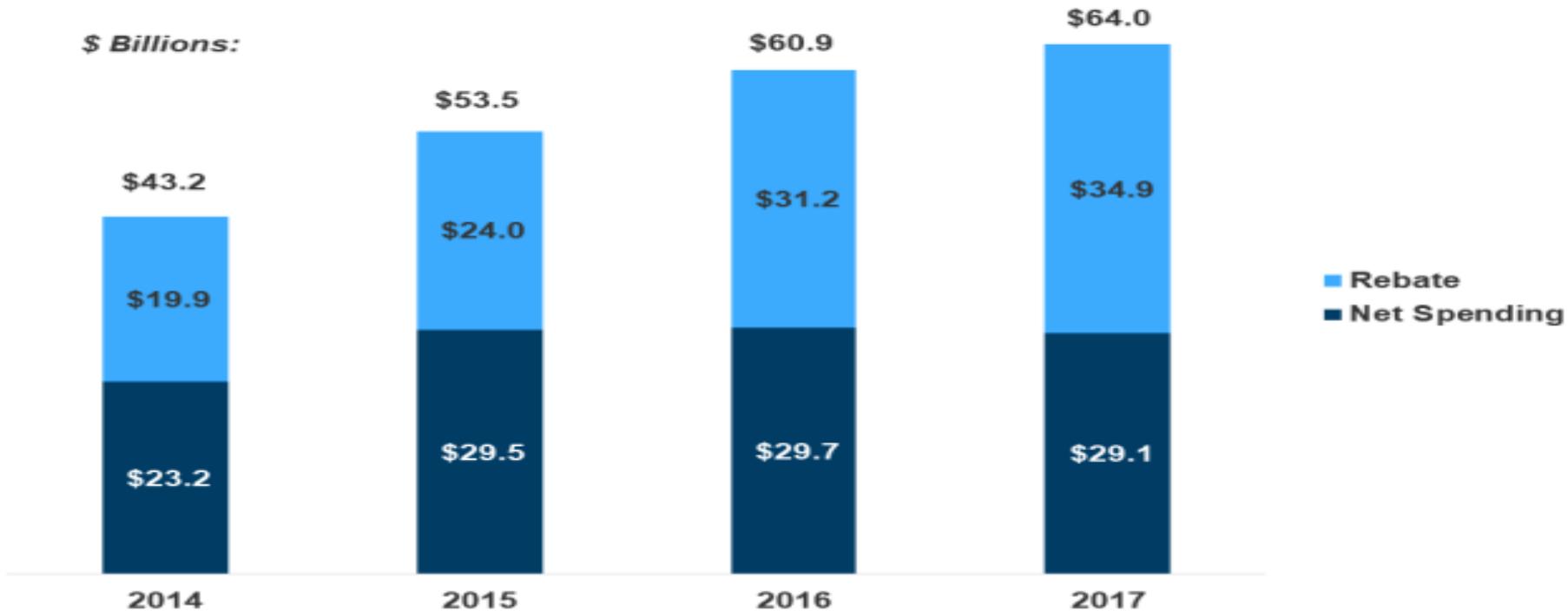
<https://www.progressivepolicy.org/issues/the-prescription-escalator-the-real-reason-why-americans-pay-more-for-drugs-each-year-why-they-are-so-upset-and-what-can-be-done-about-it/>



Is Medicaid Spending for RX Drugs Out of Control?

Figure 2

Medicaid Drug Spending and Rebates, FY2014-17



SOURCE: MACPAC, *Medicaid Drug Spending Trends*, February 2019.

Do Rebates Impact List Prices?



WHITE PAPERS > HEALTHCARE REFORM

The Association Between Drug Rebates and List Prices

February 11, 2020 | By Neeraj Sood, PhD, Rocio Ribero, PhD, Martha Ryan and Karen Van Nuys, PhD

- Drug rebates and list prices are positively correlated: On average, a \$1 increase in rebates is associated with a \$1.17 increase in list price.
- Rebates play a role in increasing drug prices, and reducing or eliminating rebates could result in lower list prices and reduced out-of-pocket expenditures for some patients.

<https://healthpolicy.usc.edu/research/the-association-between-drug-rebates-and-list-prices/>

What is the Impact of Biopharmaceutical Spending on Healthcare Premiums?

The [California Department of Managed Healthcare \(DMHC\)](#) via Senate Bill (SB) 17 requires health plans and health insurers that file rate information with the DMHC or the California Department of Insurance (CDI) to annually report specific information related to the costs of covered prescription drugs.

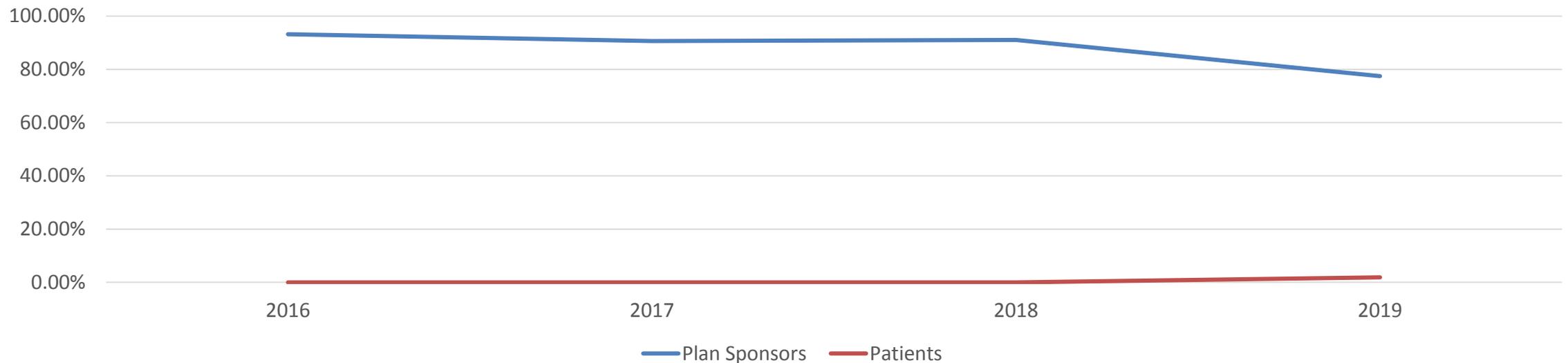
Table 1
Impact of Prescription Drugs on Premiums (in millions)¹¹

Category of Premium Payment	2018	Percentage of Premium	2017	Percentage of Premium	YOY ¹² Percentage Change
Prescription Drug Expenses	\$9,051	12.7%	\$8,646	12.9%	4.7%
Medical Expenses	\$52,993	74.3%	\$51,578	76.8%	2.7%
Manufacturer Drug Rebates	(\$1,058)	(1.5%)	(\$922)	(1.4%)	14.8%

<https://www.dmhc.ca.gov/Portals/0/Docs/DO/sb17.pdf>

What % of All Concessions Do PBMs Pass Back to the Plan Sponsors or Patients?

Aggregate data from 19 PBMs the data was collected under House Bill 2536, passed by the 2019 Texas Legislative Session. The Texas Department of Insurance did not audit the data; instead, the agency is reporting the data as reported by the PBMs.



<https://www.tdi.texas.gov/reports/documents/drug-price-transparency-PBMs.pdf>



How Much Do Patients Save if PBMs Share the Savings?



SEARCH



[How we help](#) ▾ [Who we help](#) ▾ [Insights](#) ▾ [About](#) ▾ [Contact us](#) ▾ [More Optum sites](#) ▾

[Home](#) > [About Optum](#) > [News](#)

Successful Prescription Drug Discount Program Expands to Benefit More Consumers at Point-of-Sale

Posted: March 12, 2019

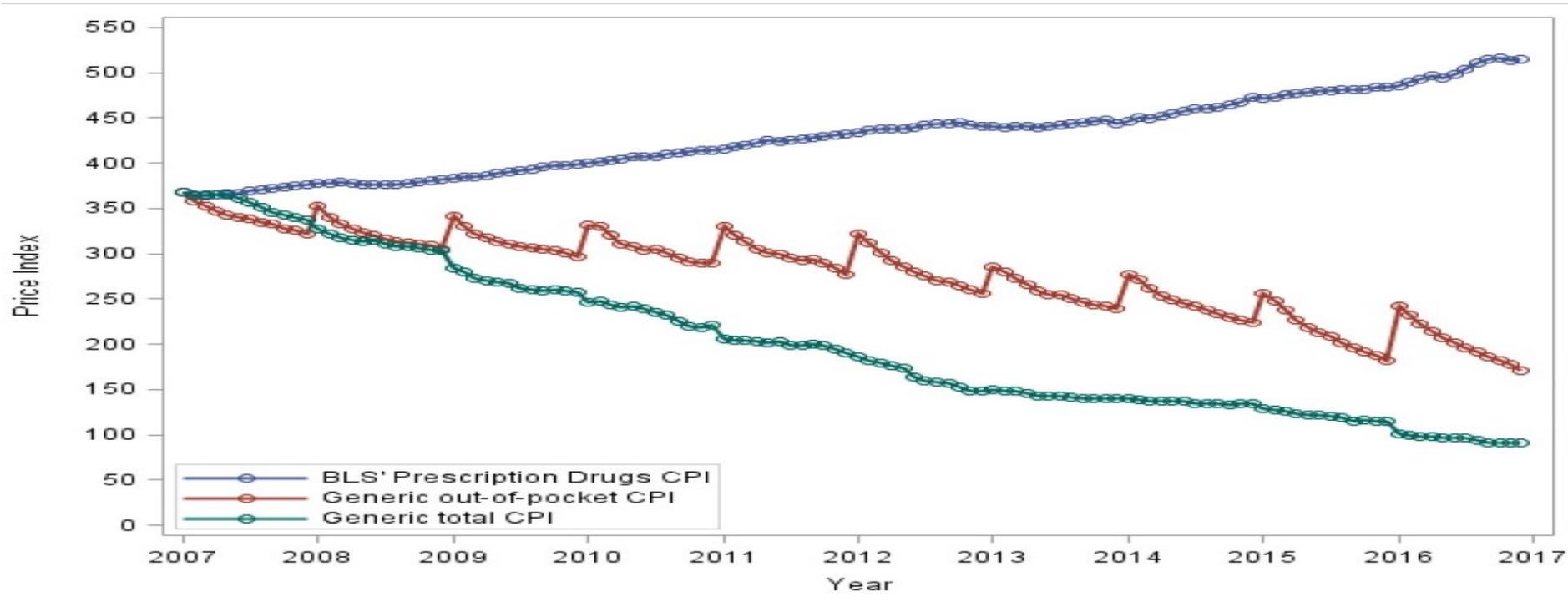
- ***Consumers already seeing average savings of \$130 per eligible prescription in 2019***
- ***Programs strengthen prescription drug adherence by up to 16%, lead to improved patient health***

<https://www.optum.com/about/news/successful-prescription-drug-discount-program.html>



Are Generic Prices Increasing In the U.S.?

Chained Direct Out of Pocket Consumer Price and Total Price Indexes



Observations:

- 2007-16 prices for generic RX drugs fell by nearly 80%, same period, consumer out of pocket CPI for generics fell roughly 50% - IOW, consumers didn't fully benefit from generic price declines
- 2007-16 according to BLS, the drug CPI increased by 44% - from 2013-16 concessions paid to middleman by Pharma increased by 56% - IOW based on conservative estimation rebates/fees/concessions outpaced RX pricing CPI

https://www.nber.org/papers/w26120?utm_campaign=ntwh&utm_medium=email&utm_source=ntwg30



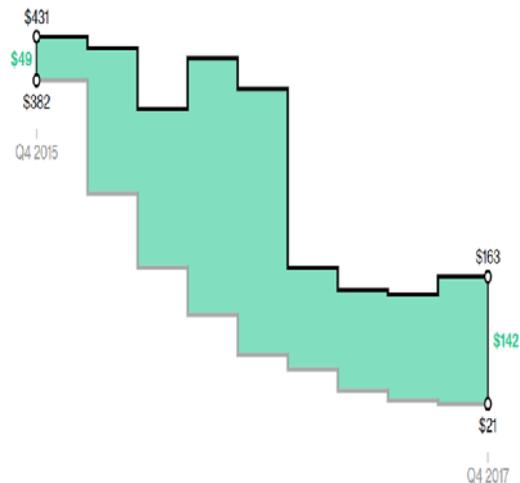
Do Patients and States Overpay for RX Medicines?

Spread Pricing

Aripiprazole 5 mg (generic Abilify) in New York

Disease: Schizophrenia and depression

Cost to pharmacy Cost to state Medicaid program Combined pharmacy and PBM spread and fees



Note: Drug prices reflect a 30-day supply; numbers may not add precisely due to rounding



A report commissioned by Ohio Medicaid showed the spread between what the state paid the PBMs and what they paid pharmacies added up to \$224 million in 2017

Claw back

OVERPAYING FOR PRESCRIPTION DRUGS: THE COPAY CLAWBACK PHENOMENON



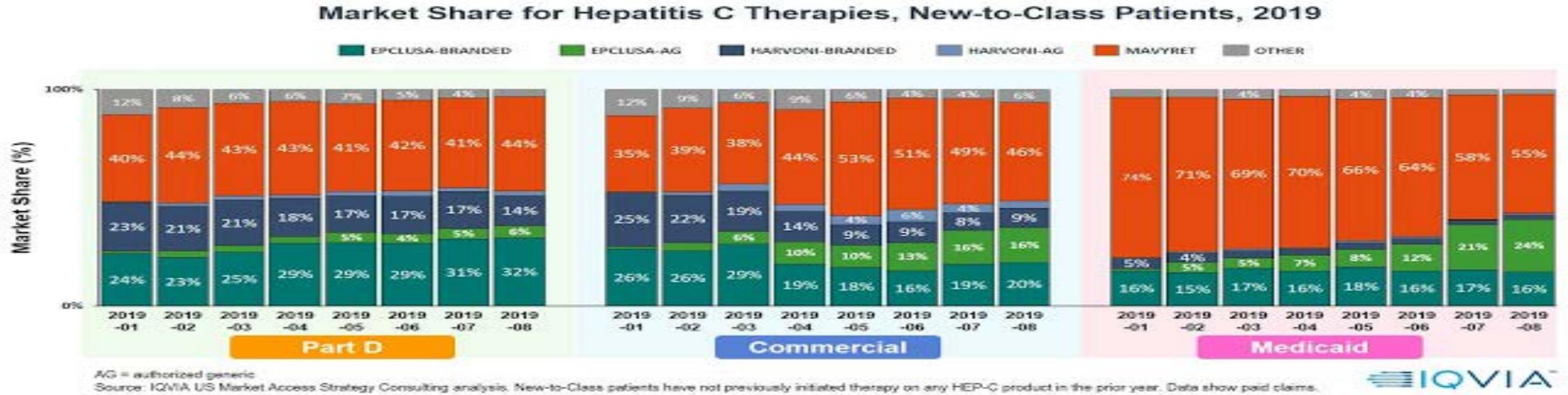
Almost one quarter of filled pharmacy prescriptions (23%) involved a patient copayment that exceeded the average reimbursement paid by the insurer

Total overpayments amounted to \$135 million

- <http://www.dispatch.com/news/20180610/side-effects-series-on-prescription-drugs>
- <https://www.bloomberg.com/graphics/2018-drug-spread-pricing/?srnd=premium>
- https://healthpolicy.usc.edu/wp-content/uploads/2018/03/2018.03_Overpaying20for20Prescription20Drugs_White20Paper_v.1-4.pdf



Does Rebate Contracting Create Mis-Aligned Incentives?



“17 of the largest health plans covered biosimilars as preferred in only 14% of formulary decisions. In 33% of cases, biosimilars were designated as “non-preferred” by the insurer.”

<https://jamanetwork-com.eu1.proxy.openathens.net/journals/jama/article-abstract/2766151>

“72% of Part D formularies had a lower cost-sharing tier and 30% of Part D formularies had fewer utilization controls on branded drugs for at least one multisource drug.”

<https://jamanetwork-com.eu1.proxy.openathens.net/journals/jamainternalmedicine/fullarticle/2728446>



Do PBMs Control Coverage, Access and Distribution?

Prescription Revenues and Market Share from Specialty Pharmaceuticals, by Company, 2019

Pharmacy Name	Parent Organization	Estimated 2019 U.S. Prescription Revenues from Specialty Drugs (\$ billions)	Change in Revenues vs. 2018	Share of Prescription Revenues from Specialty Drugs
CVS Specialty ¹	CVS Health	\$43.9	+19%	27%
Accredo / Freedom Fertility	Cigna (Express Scripts) ²	\$32.1	+5%	20%
AllianceRx Walgreens Prime / Walgreens stores ³	Walgreens Boots Alliance	\$21.2	+8%	13%
Optum Specialty Pharmacy ⁴	UnitedHealth Group (OptumRx)	\$17.8	+6%	11%
Diplomat Pharmacy ⁵	n/a ⁵	\$4.5	-6%	3%
Humana Specialty Pharmacy	Humana	\$3.6	+11%	2%
Kroger Specialty Pharmacy / Kroger stores	Kroger	\$3.4	+21%	2%
Specialty Pharmacy Solutions ⁶	McKesson	\$1.7	+8%	1%
US Bioservices	AmerisourceBergen	\$1.5	+9%	1%
AHF Pharmacy	AIDS Healthcare Foundation	\$1.2	+10%	1%
PANTHERx Rare	n/a	\$1.2	+65%	1%
Walmart Specialty Pharmacy	Walmart Stores	\$1.1	+5%	1%
SenderraRx	n/a	\$0.9	+15%	1%
BioPlus Specialty Pharmacy Services	n/a	\$0.7	+4%	0%
Onco360 / CareMed	BrightSpring Health Services ⁷	\$0.7	+8%	0%
All other retail, mail, long-term care, and specialty pharmacies	n/a	\$25.7	n.a.	16%
Total		\$161.1	+9%	100%

Source: Drug Channels Institute research and estimates. Includes revenues from retail, specialty, and mail pharmacies. Includes specialty revenues from retail locations, where relevant. Excludes revenues from network pharmacies of PBM-owned specialty pharmacies and infusion services covered by medical benefit. Totals may not sum due to rounding.

1. Includes CVS Caremark Specialty Pharmacy, CVS retail pharmacies, and Drug Channels Institute-estimated pro forma full-year revenues from acquisitions completed in 2019. Includes annualized pro forma specialty revenues from Anthem and Coventry, which transitioned from Express Scripts during 2019.

2. In 2018, Cigna acquired Express Scripts. Excludes Drug Channels Institute-estimated revenues from clients that transitioned from Express Scripts during 2019: Anthem and Coventry Health Care.

3. Includes pro forma full-year revenues from acquisitions completed in 2019.

4. Formerly known as BrivoRx. Note that growth rate is based on Drug Channels Institute-estimated 2018 revenues, which included pro forma revenues from Avella Specialty Pharmacy and Genoa Healthcare.

5. In 2020, Diplomat was acquired by OptumRx.

6. Includes Biologics by McKesson and the Patient Assistance Pharmacy (formerly known as Care Advantage).

7. In 2019, PharMerica merged with BrightSpring Health Services.

This table appears as Exhibit 48 in *The 2020 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Drug Channels Institute. Available at <http://drugch.nl/pharmacy>



© 2020 Pembroke Consulting, Inc., d/b/a Drug Channels Institute. All right reserved.



Summary of Potential Solutions?

- For Immediate Fix: Share the savings directly with the patients at the point of sale at the pharmacy counter
- Long Term Fix: Get rid of contracting via rebates and go to net price contracting
- Longer Term Fix: Mandate fees for services instead of % of retail price (ensure fees are for legitimate services)
- Ensure lower priced alternatives are preferred and not the other way around
- Beware of monopolies in the supply chain
- Pay for Outcomes