



Wisconsin Task Force Reducing Prescription Drug Prices

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Who is AHIP?

America's Health Insurance Plans (AHIP) is the national association whose members provide coverage and health-related services that **improve and protect the health and financial security of consumers, families, businesses, communities and the nation.**

Agenda

- Drug Cycle
- PBM Partners
- Health Care Dollar
- Pharmaceutical Market
- Point of Sale Rebates
- Coupons
- Medical Management
- What Wisconsin Can Do

Drug Supply Chain



DRUG MAKERS

Set Drug List Prices

Drug Makers negotiate with PSAOs to distribute their drugs to Pharmacies



PSAO / WHOLESALER

PSAOs sell/distribute drugs to their Pharmacy Clients



PHARMACY

Pharmacy Sells Drugs To Patient for Copays



PBMs

Negotiates Discounts with Drug Makers on Behalf of their Health Plan Clients or Large Employer Clients



Drug Makers pay Rebates to PBMs per Negotiated Agreements



PSAOs Negotiate Drug Reimbursement on Behalf of their Pharmacy Clients with PBMs; PBMs pay pharmacy for drugs dispensed



HEALTH INSURANCE PROVIDERS

Health Insurance Providers Cover our Enrollees Drug Costs



PATIENT

PBM Services



Claims Processing



Price, Discount and Rebate Negotiations with Drug Manufacturers and Drugstores



Formulary Management



Pharmacy Networks



Mail-service Pharmacy



Specialty Pharmacy

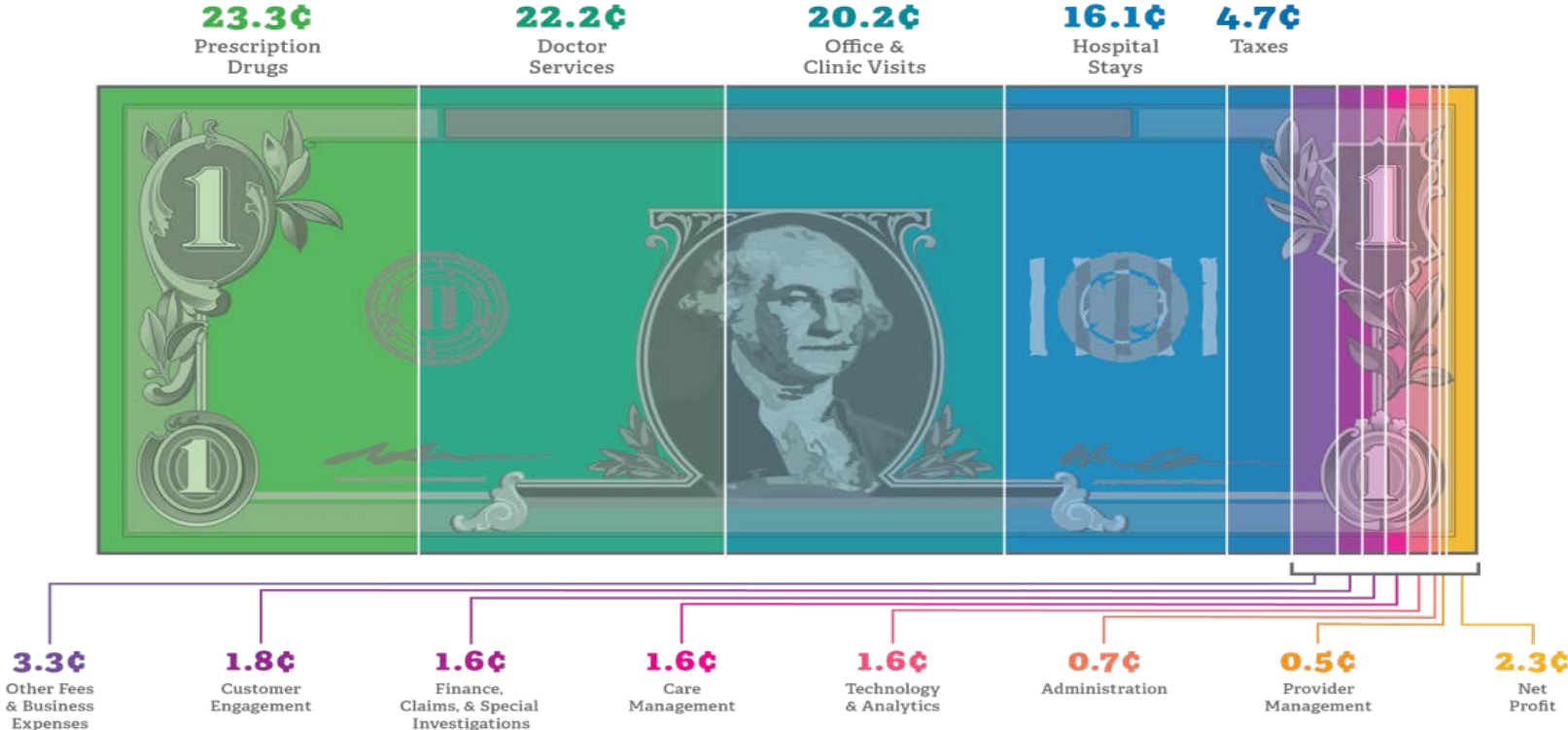


Drug Utilization Review



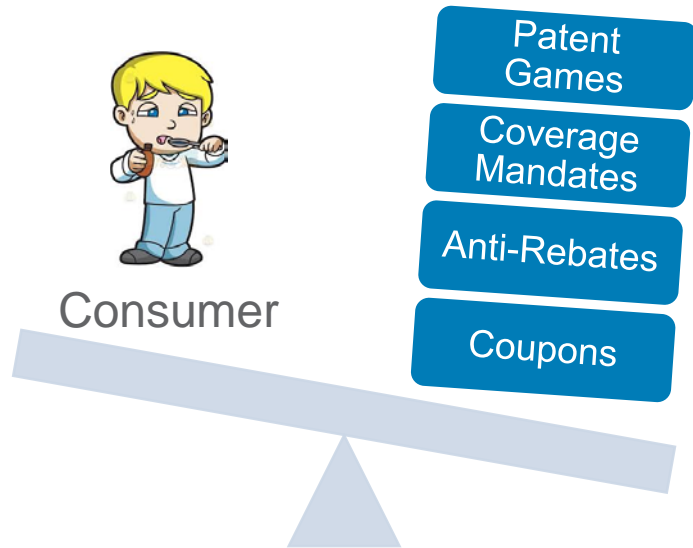
Disease Management and Adherence Initiatives

Why Curbing Drugs Costs Is Critical



Source: https://www.ahip.org/wp-content/uploads/2017/03/HealthCareDollar_FINAL.pdf

Broken Pharmaceutical Market



Patent Games:

- Off Label Promotion
- Orphan Drug Abuses
- Pay for Delay
- Product Hopping
- Dosing Strategies
- Generic Barriers

A Case Study: Humira



+6.2%
(Jan 2019)

+9.4%
(Jan 2018)

+8.4%
(Jan 2017)

+7.9%
(Jun 2016)

+9.9%
(Jan 2016)

#1 selling drug in the world with
\$19.9 billion in sales in 2018*

*Abbvie Financial Results 2018, reported Jan 25, 2019

>\$50,000 in annual drug expenses per patient

15+ years with no biosimilar competition
(FDA approved in 2002)

Patent settlement blocks biosimilar
(until at least 2022)

Point of Sale Rebates - Not the Solution

- Over 300 million medications* are prescribed annually:
 - 82% generic drugs
 - 18% brand name drugs
- Only 2.4% of brand drugs would be eligible for a discount at the pharmacy counter (i.e. point-of-sale rebate)



* Commercial data only

What Are Copay Coupons?

- Drug makers will provide a coupon to a patient so they can receive a discount on a specific brand drug:
 - i.e. Mylan offered \$300 copay coupon off their EpiPen to some patients after there was a public outcry when they raised their price from \$100 to \$600
- Drug makers use coupons as an **incentive for patients to use branded drugs** instead of less expensive generics, as insurance providers still pay for the drug.
- Insurance providers are considering not having the price of a drug used with a coupon go towards their deductible and out-of-pocket maximums to stop the practice if there is a generic equivalent.



Copay Coupons

- Coupons reduce the use of generic drug competitors and **increase brand drug sales by more than 60%**.



**Consumers
Pay More
\$\$\$**



**Pharma
Makes More
\$\$\$**

Coupons are prohibited in federal health care programs like Medicare and Medicaid.

- Considered a kickback, because they induce a patient to take a certain drug.
- Studies show they increase use of higher cost drugs, especially when generic or brand alternatives are available.



Massachusetts vs. New Hampshire



In a 2017 study on copay coupons, the researchers took neighboring states that had differing approaches to copay coupons to analyze the impact coupons have on generic utilization and drug spending.†

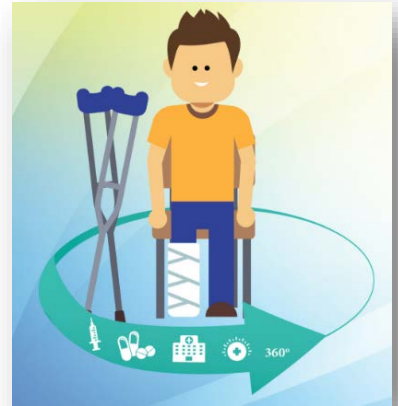
	Massachusetts	New Hampshire
Coupons Allowed?	NO - Massachusetts banned the use of coupons statewide	YES - New Hampshire allows coupon use in non-federal programs
Drugs Not Offering Coupons	When branded drugs did not offer coupons, use of generic alternatives was equivalent in both states	
Drugs Offering Coupons to All Patients		<ul style="list-style-type: none">When branded drugs offered coupons, use of generic alternatives was 3.4% LOWERThis amounted to \$700 million more in drug spending – \$2.9 billion over five years
Drugs That Offer Coupons Among Patients <65 yrs		<ul style="list-style-type: none">When branded drugs offered coupons for this age group, use of generic alternatives was 6.3% LOWERIncreased spending could reach close to \$6 billion

† [When Discount Raise Costs: The Effect of Copay Coupons on Generic Utilization.](#)

Medical Management Promotes Smart Care

What Are Medical Management Tools?

- Evidence-based medical necessity review
- Formulary and provider tiered network designs
- Prior and concurrent authorization
- Quantity/dosing limits and step therapy approaches



Why Are They Used?

Health insurance providers and government-sponsored health programs use medical management tools to:

- Promote patient safety
- Prevent unnecessary, inappropriate, and potentially harmful care
- Improve and better coordinate care
- Increase health care affordability for consumers

Medical Management – Specific Tools

Capping Copays

- Places a fixed amount to a consumer's insurance copayment
- Brings temporary release to one patient while raising premiums and costs for all

Frozen Formulary

- Disallows removing a drug from a formulary or moving it to a higher cost tier
- Cannot replace drugs with new, clinically appropriate and less expensive alternatives
- Works only if there is a freeze on the cost of existing and new drugs

Wisconsin Can Make A Difference

- Eliminate Gag Clause & Clawbacks
- Advance notification by manufacturers of drug cost increases & launch prices
- Address Patent Abuses
- Involve & Support Attorney General on Price Anomalies
- Ensure Drug Reps Include Prices When Marketing to Physicians
- Patient Assistance Program Funding Sources

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