

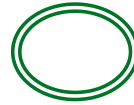


State Action on Prescription Drug Prices

**Presentation to the Insurance & Real Estate Committee
Connecticut General Assembly**

Presenter: Drew Gattine, NASHP Senior Policy Fellow

About NASHP's Drug Pricing Center



- **Launched in 2016, NASHP's Drug Pricing Center assists states in finding solutions to solve the problem of sky-rocketing increases in prescription drug prices**
- **We are committed to states as policy innovators and incubators of creative solutions**
 - The reality of state budgets – which need to remain in balance – creates an urgency to act that is often missing at the federal level
- **We accomplish our mission in multiple ways**
 - Convene state leaders to share experiences and information
 - Conduct sound policy and analysis and research
 - Provide technical assistance to states, including model legislation
- **Our grant with Arnold Ventures provides NASHP the flexibility to dig in deep with individual states to help solve the most pressing problems**

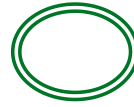


NASHP Works with States on a Range of Strategies

Unlocking the Pricing Black Box	An important first step - Drug transparency laws force manufacturers to explain high prices and price increases	<ul style="list-style-type: none"> NASHP released its model transparency bill in 2017 (Updated in 2019) 12 states regularly participate in NASHP's Transparency Implementation Network
Regulating PBMs and the Supply Chain	One of the most active areas of regulation – over 45 states have enacted laws targeting the opaque operation of PBMs (over 100 enacted laws)	<ul style="list-style-type: none"> NASHP released model legislation to regulate PBMs (creates a licensure requirement, establishes a fiduciary duty between a PBM and its clients, bans gag clauses, and requires rebate transparency. NASHP released model PBM contract language for states to use in their request for proposals and contracts to achieve cost-savings
Leveraging International Pricing	Americans pay much more for their drugs than citizens of other countries. Prices in the U.S are 218% higher than prices across the border in Canada	<ul style="list-style-type: none"> NASHP releases model legislation for wholesale importation in 2017 and continues to convene monthly a workgroup of states with importation statutes In 2020 NASHP releases new model setting Canadian prices as an upper payment limit
Paying for Value	States are taking bold, direct action to not only identify the root cause of unnecessary price increases but to halt them in their tracks	<ul style="list-style-type: none"> In 2017 NASHP introduces initial legislation to create Prescription Drug Affordability Boards NASHP releases new model to directly prohibit and penalize price-gouging and price increases that are unsupported by clinical evidence in 2020 NASHP convenes PDAB states
Maximizing Collaborative Purchasing Power	State dollars pay for drugs in Medicaid, state employee health plans and for other public payers. When acting together, state agencies can exert considerable buying power.	<ul style="list-style-type: none"> In 2017 NASHP released a report on state initiatives to contain drug costs by leveraging state purchasing power. It highlights interstate and intrastate activity NASHP released a proposal for a state purchasing pool for prescription drugs that would leverage public buying power to reduce drug costs by allowing other employers to join the state's existing purchasing pool. (2017)
Protecting Consumers	Policy makers recognize that consumers deserve protection against predatory practices and exorbitant out of pocket expenses	<ul style="list-style-type: none"> In 2018, following 33 states enacting bans on gag clauses, the federal government prohibits gag clauses via the Patient Right to Know Drug Prices Act (S 2554) In 2020/21 states take aggressive action to cap out of pocket costs for insulin and create safety net programs

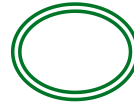


Trends NASHP Has Seen in 2021



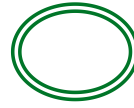
- **Continued strong interest by the States in efforts to curb prices**
 - States are watching Congress and the Biden administration but are not waiting on Washington to act
 - Pace of new bills has not slowed - ***In 2021 state legislators introduced 329 bills across all 50 states***
 - Governors and Legislatures are willing to take increasingly bold action to crack down on price increases in spite of intense opposition
- **New NASHP models gained traction in both blue and red states**
- **Interest in Prescription Drug Affordability Boards continues to be strong**
- **PBM legislation continues to be active post-Rutledge**
- **States are starting to recognize a need to focus on health equity when evaluating drug costs**

State Laws Enacted 2017-21



	2017	2018	2019	2020	2021*	Total	In # of states
Number of states	13	28	37	17	21	49	
Total Laws Enacted	17	45	62	41	45	210	
PBM	7	32	32	20	19	110	46
Transparency	3	4	7	4	7	25	18
Coupons/Cost Sharing	1	0	4	12	9	26	18
Wholesale Importation	0	1	4	2	1	8	6
Affordability Review	1	0	3	0	2	6	6
Study	0	1	5	1	2	9	7
Volume Purchasing	0	0	2	0	0	2	2
Other	5	7	5	2	5	24	18

Prescription Drug Affordability Boards



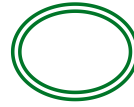
- PDABs are appointed boards authorized to review drugs with high launch prices or significant price increases and evaluate affordability challenges and impacts
- Six states have enacted PDABs and there is a broad range of authority based on the state
 - Scope of review, affordability criteria, data source are defined in statute or via rule-making
- Maryland (2019) and Colorado (2021) have mechanisms that allows the PDAB to set upper payment limits for drugs that are determined to be unaffordable
- Colorado's UPLs would apply to both public and commercial payers

New NASHP Rx Pricing Models – Direct Action



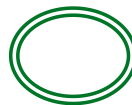
- **In Fall 2020 NASHP published new models that take direct aim at price increases by manufacturers**
 - Designed to have broad impact not just for government programs but for commercial insurance, ERISA plans and consumers
 - Builds on NASHP's work in transparency, importation and affordability
- **International Reference Rates** (introduced in six states)
 - Sets an upper payment limit based on Canadian prices for 250 high cost drugs
 - Interested states estimated tens of millions in savings just for their state employee health plans
- **Unsupported Price Increases** (introduced in three states)
 - Steep penalties for manufacturers raising prices on expensive drugs when there is no clinical evidence of additional benefit
- **Anti-price gouging** (introduced in four states)
 - Caps price increases for generics and gives the Attorney General powerful tools to enforce

International Reference Rates



- **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
- **How it works:**
 - The Superintendent of Insurance works with the SEHP and BOP to develop a list of the 250 drugs costing the state the most
 - The state references Canadian prices for the four most populous provinces (available online)
 - The lowest price becomes the upper payment limit for payers in the state
 - Savings must be passed to consumers

International Reference Rates

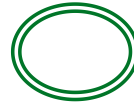


Drug Name & Dosage Source: National Average Drug Acquisition Cost (NADAC) data	US Price (NADAC)	Canadian Reference Rate*	Price Difference	Savings off US Prices
Humira syringe (40 mg/0.8 ml) (arthritis, psoriasis, Crohn's)	\$2,706.38	\$541.29	\$2,165.09	80%
1 ml of Enbrel (50 mg/ml syringe) (arthritis,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

*Converted based on \$1 CAN = \$0.76 USD

Canadian price per ml of Victoza established based on \$136.98 price for 2-pak of 3 ml pens - 6 mg/ml

Penalizing Unsupported Price Increases



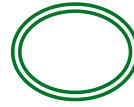
- **Background:**

- The Institute for Clinical and Economic Review (ICER) produces an annual report identifying the drugs with price increases outpacing 2x medical inflation that are the greatest drivers of net spending
- Unsupported price increases = unjustified by new clinical data

- **How it works:**

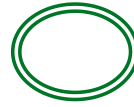
- ICER report is used as a basis to assess penalties on manufacturers identified as having a drug with an unsupported price increase
- Penalties = 80% of excess revenues (i.e., revenue from unsupported portion of price increase)
- Manufacturers must report information on total sales revenue in the state to determine the penalty owed
- Revenue generated is used to offset costs to consumers

Penalizing Unsupported Price Increases



Treatment	Primary Uses	2018 to 2019 WAC Increase	2018 to 2019 Net Price Increase*	Increase in US Drug Spending Due to Net Price Change (in Millions)
Enbrel® (etanercept, Amgen)	Arthritis, psoriasis	5.4%	8.9%	\$403
Invega Sustenna®/ Invega Trinza® (paliperidone palmitate, Janssen)	Schizophrenia	6.8%	10.7%	\$203
Xifaxan® (rifaximin, Salix)	E. coli	8.4%	13.3%	\$173
Orencia® (abatacept, Bristol-Myers Squibb)	Rheumatoid arthritis	6.0%	7.4%	\$145
Tecfidera® (dimethyl fumarate, Biogen)	Multiple sclerosis	6.0%	3.7%	\$118
Humira® (adalimumab, AbbVie)	Chron's disease, ulcerative colitis, rheumatoid arthritis	6.2%	2.0%	\$66
Vimpat® (lacosamide, UCB)	Epilepsy	7.0%	5.6%	\$58

Anti-Price Gouging



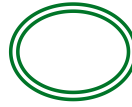
- **Background:**

- Price hikes are a major driver of drug cost increases
- Large hikes are common for generic and off-patent drugs
 - Example: fluoxetine (generic Prozac) increased from \$9 to \$69 in Jan. 2019 (+667%)
- Maryland's & DC's laws prohibiting drug price gouging were struck down

- **How it works:**

- Applies to generic and off-patent drugs
- Addresses key legal issues building on Maryland's & DC's experience
- Primary enforcement by the Attorney General
- Considerable power to constrain generic drug prices & offer consumer relief

More Information



Additional information about NASHP's work to support state efforts to combat rising drug costs is available at the NASHP [website](#), including model bills, policy briefs, an Rx Legislative Tracker and links to laws that have been enacted across the country

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