Pennsylvania Senate Banking and Insurance Committee Hearing—SB 637

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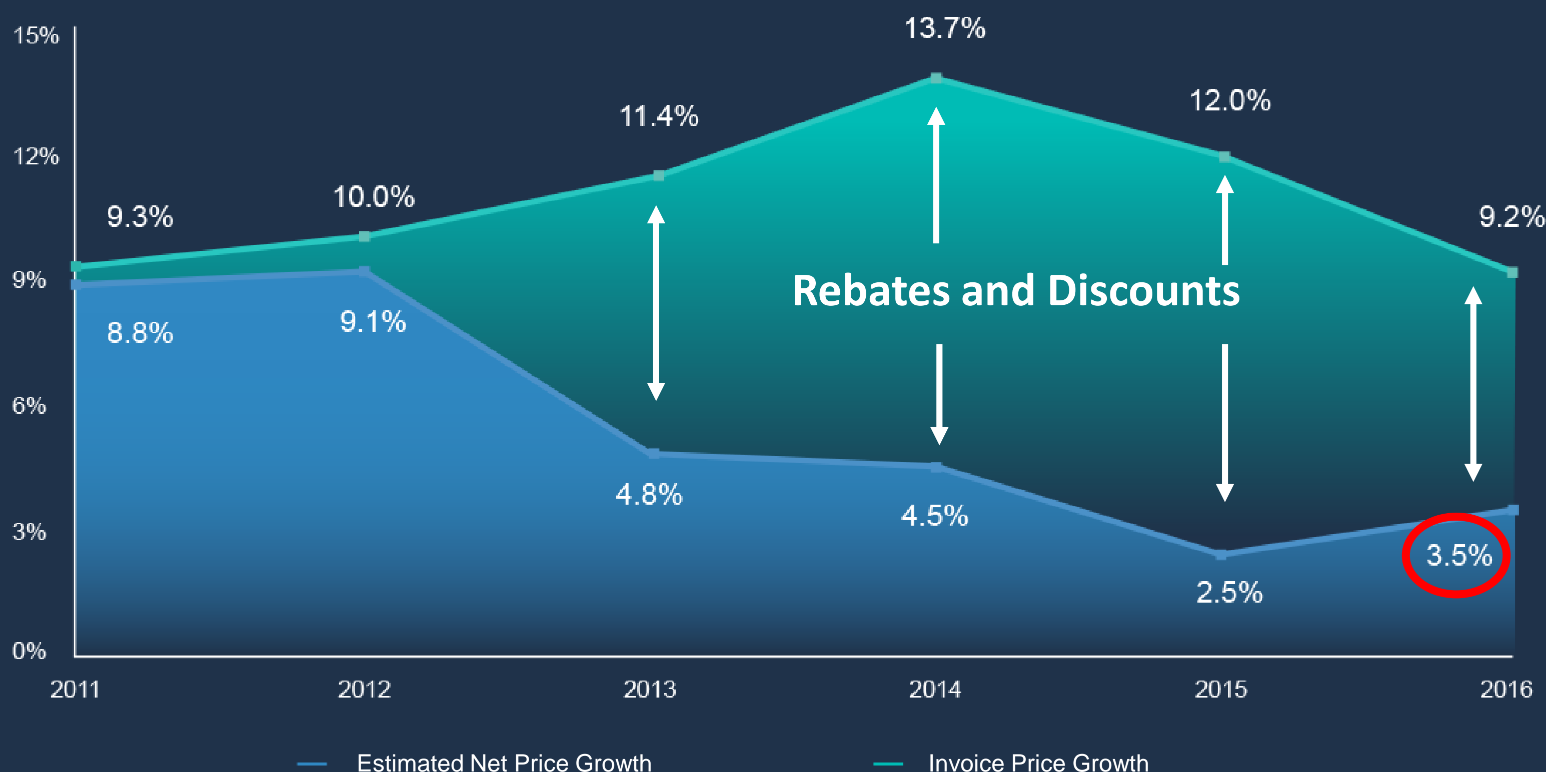
October 24, 2017

After discounts and rebates, brand medicine prices grew just 3.5% in 2016



Source: IMS Institute for Healthcare Informatics, National Sales Perspectives, March 2016.

Manufacturers pay several types of rebates/fees to PBMs that are a percentage of the list price of a medicine

- **Formulary Access Rebates/Discounts-** Paid as a percentage of the list price of a medicine in exchange for formulary placement. PBM typically keeps a portion of these rebates/discounts

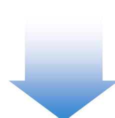
- **Administration Fees-** Paid as a percentage of the list price of a medicine in exchange for bona fide services performed for the manufacturer. PBM typically keeps this fee

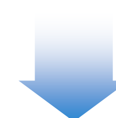
- **Price Protection Rebates-** On top of traditional formulary access rebates, PBMs typically require manufacturers to pay price protection rebates, which are a ceiling or cap put on the amount manufacturers can increase the list price of a medication. If a drug's list price increases by more than "x" percentage, the manufacturer must reimburse the PBM for all increases above that amount. PBM typically keeps all or a large portion of this rebate

After accounting for rebates and discounts, medicine cost growth is declining

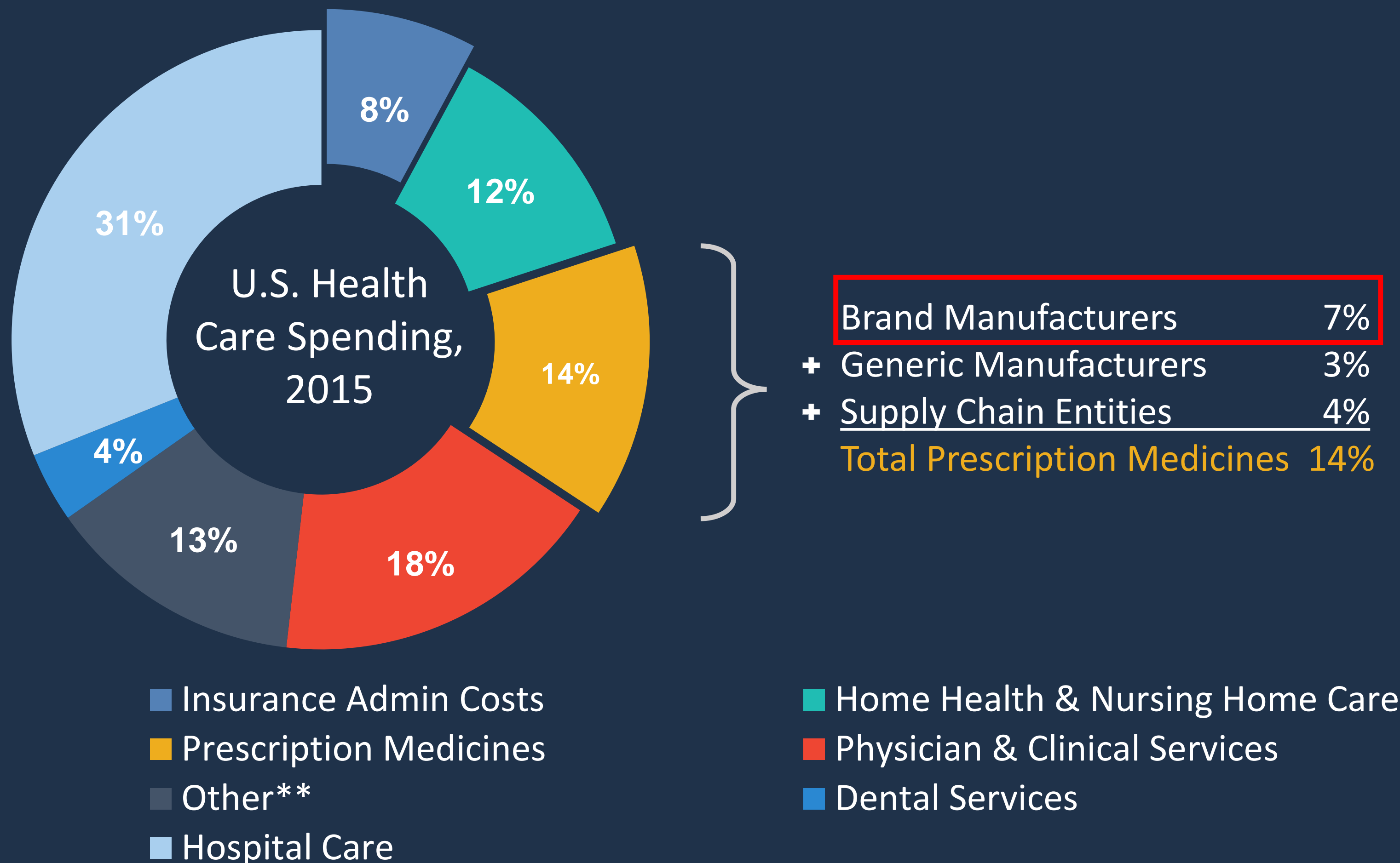
Multiple sources confirm 2016 spending growth was between 2.8% and 5%.

Express Scripts	CVS Health	OptumRx	CMS	QuintilesIMS
5.2% 2015	5% 2015	N/A 2015	9% 2015	8.5% 2015
3.8% 2016	3.2% 2016	2.8% 2016	5% 2016	4.8% 2016





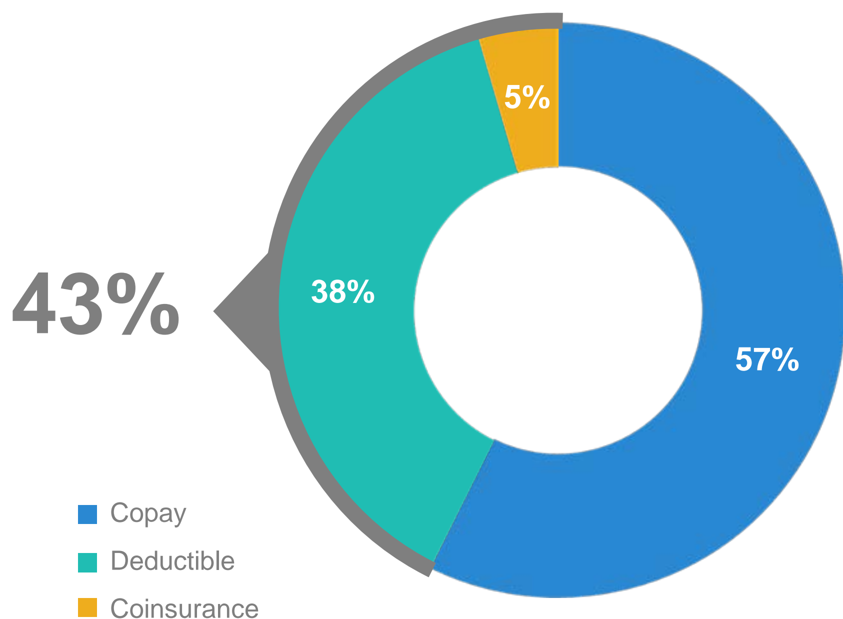
Spending on retail and physician-administered medicines continues to represent just 14% of health care spending



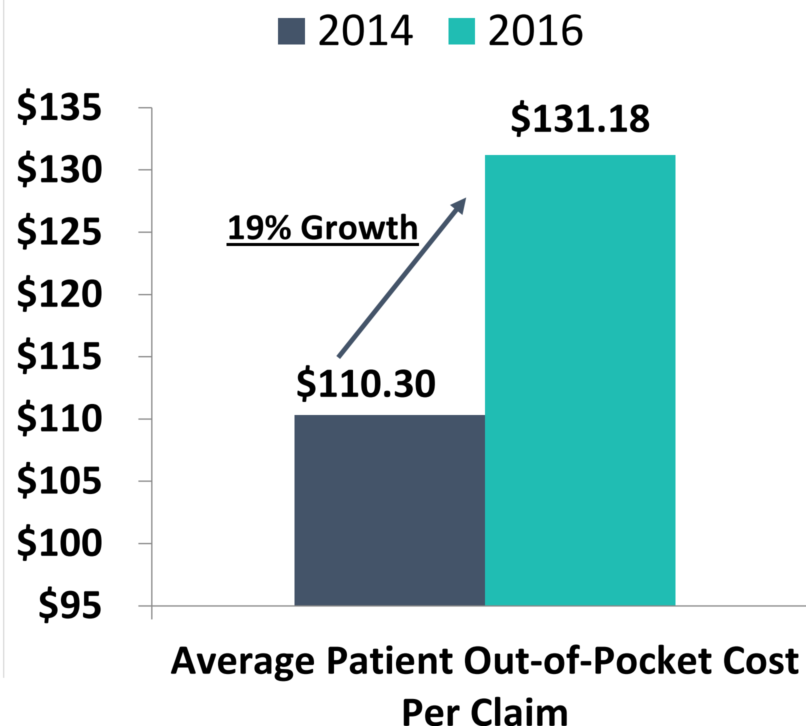
Source: PhRMA analysis of CMS National Health Expenditures data, Altarum Institute study and Berkeley Research Group study.
**Supply chain entities- stakeholders involved in bringing medicines from manufacturer to patient, including wholesalers, pharmacies, PBMs and healthcare provider locations.

And too often negotiated savings do not make their way to patients in Pennsylvania

Almost half of PA commercially insured patients' out-of-pocket spending for brand medicines is based on the full list price in 2016



PA Patients Out-of-Pocket Costs When in Deductible Rising Rapidly



Source: Amundsen Consulting Group study.

Collectively, these market-based reforms can make medicines more affordable and accessible

MODERNIZE THE DRUG DISCOVERY AND DEVELOPMENT PROCESS

- Modernize the FDA to keep pace with scientific discovery and increase efficiency of generic approvals
- Promote and incentivize generic competition.

PROMOTE VALUE-DRIVEN HEALTH CARE

- Remove barriers restricting information companies can share with insurers.
- Reform regulations discouraging companies from offering discounts tied to outcomes.
- Modify Medicaid best price requirements.

EMPOWER CONSUMERS AND LOWER OUT-OF-POCKET COSTS

- Provide patients with access to negotiated rebates.
- Address affordability challenges in the deductible.
- Make more information on health care out-of-pocket costs and quality available to patients.

ADDRESS MARKET DISTORTIONS

- Address burdensome regulations that distort programs like the 340B Drug Pricing program.

IMPROVE TRADE AGREEMENTS

- Enforce existing trade agreements.
- Ensure new trade agreements recognize value of innovative medicines.

SB 637 and HB 161 - State Government Interference Distorts Highly Competitive Markets

- Provides NO assistance to patients trying to afford their medicines at the pharmacy counter
- Increases Insurer and PBM profits at the expense of patients
- Ignores price protection provisions in manufacturer and PBM contracts, and the fact that medicines reduce costs in other areas of the health care system
- Language modeled from national trade association for health insurers (AHIP)
- Likely violates federal antitrust law and constitution
- Opposed by business, labor and taxpayer organizations