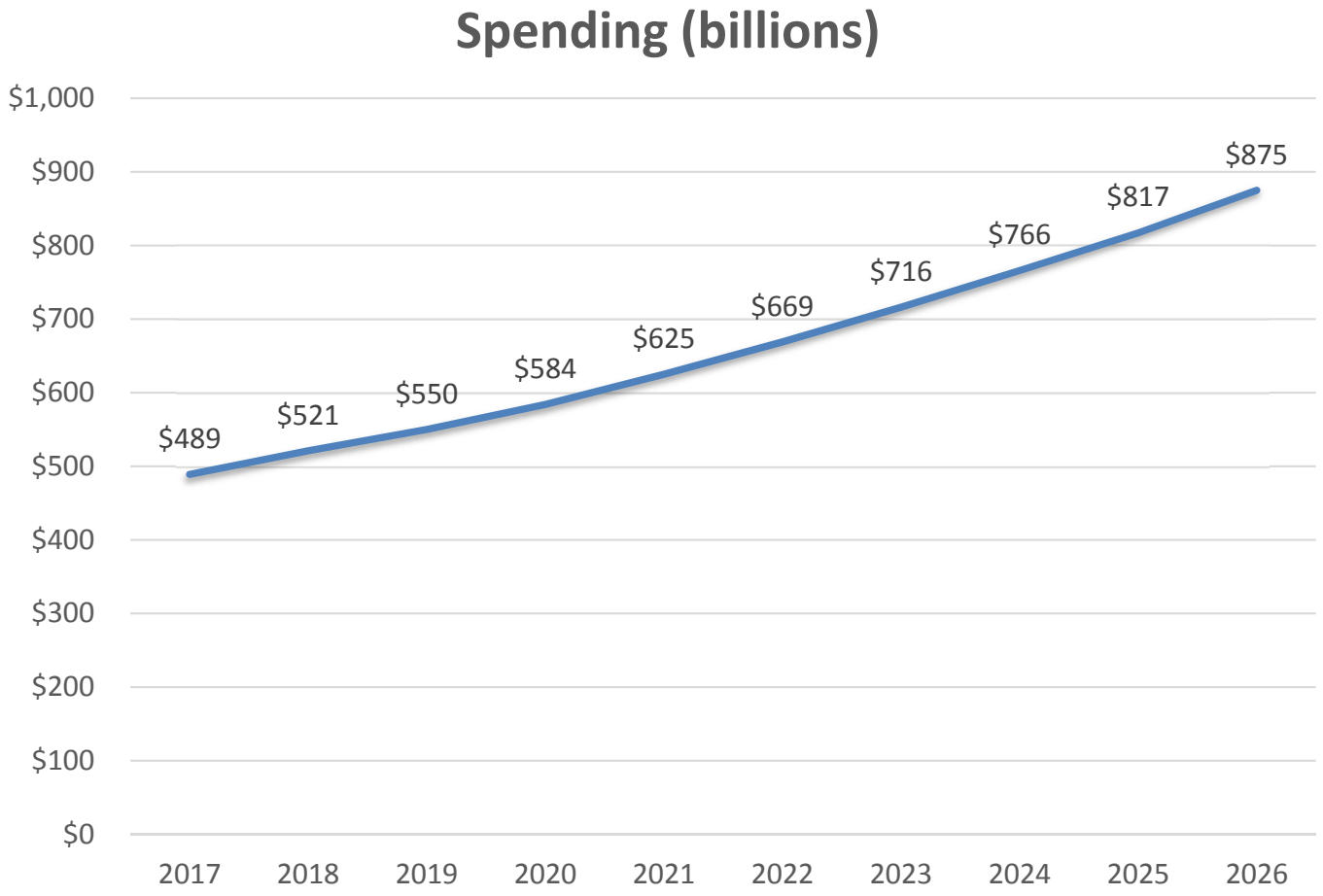
Drug Costs: Federal and State Activity

Allan Coukell
Senior Director, Health Programs
@coukell

Drug Spending Research Initiative

Projected Spending on Rx Drugs

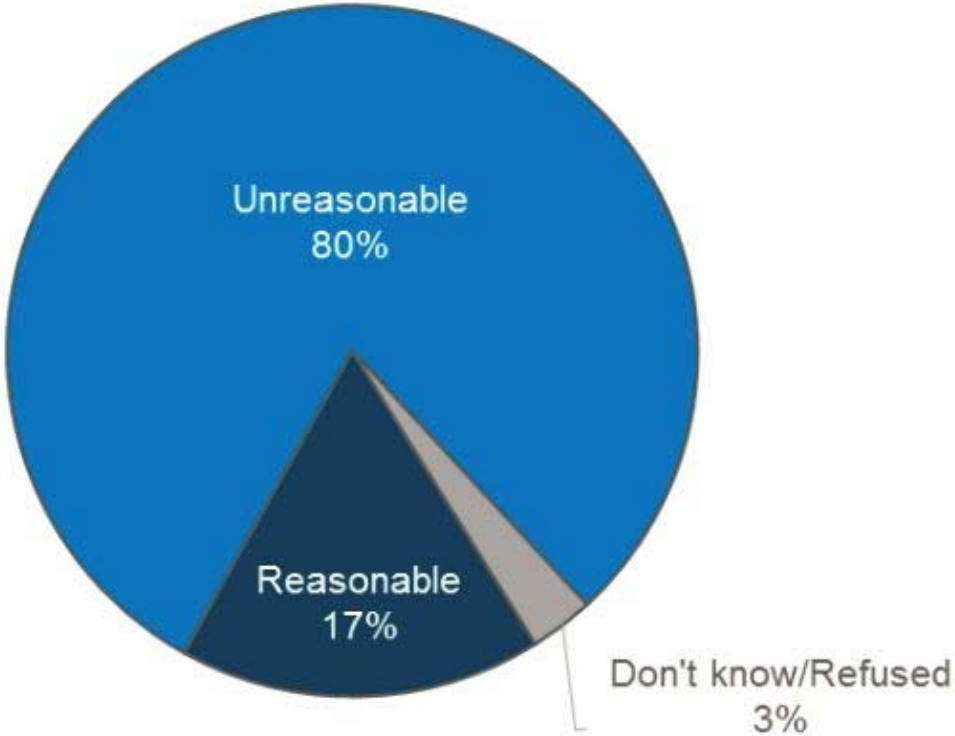


Sources: Altarum, CMS

Americans are concerned…

Eight in Ten Say Prescription Drug Costs Are Unreasonable

In general, do you think the cost of prescription drugs is reasonable or unreasonable?



Source: Kaiser Family Foundation Health Tracking Poll (3/2018)

Blueprint To Lower Drug Prices

Themes:

- Competition
- Out-of-pocket costs
- Rising list prices
- Role of PBM rebates
- Value-based payment arrangements
- “Global freeloading”

Things underway

- Part D donut hole changes
- Medicaid line extensions
- FDA competition blocking & reevaluating biosimilar interchangeability
- Reduced 340B reimbursement

Blueprint: Medicaid

- Eliminate the cap on Medicaid rebates
- Medicaid Best Price a barrier to value-based contracts?
- Increased rebates for Medicaid driving up list prices and costs to private sector?
- Proposed demonstration for 5 states to opt out of rebate program

Blueprint: 340B

- Feedback requested on:
  - effect on list prices/commercial costs;
  - changing the definition of eligible patient;
  - updating requirements for covered entities contracting with pharmacies
  - Is Medicaid is receiving duplicate discounts?
- Limit to hospitals with ≥1% of patient costs in charity care

Blueprint: Medicare B & D

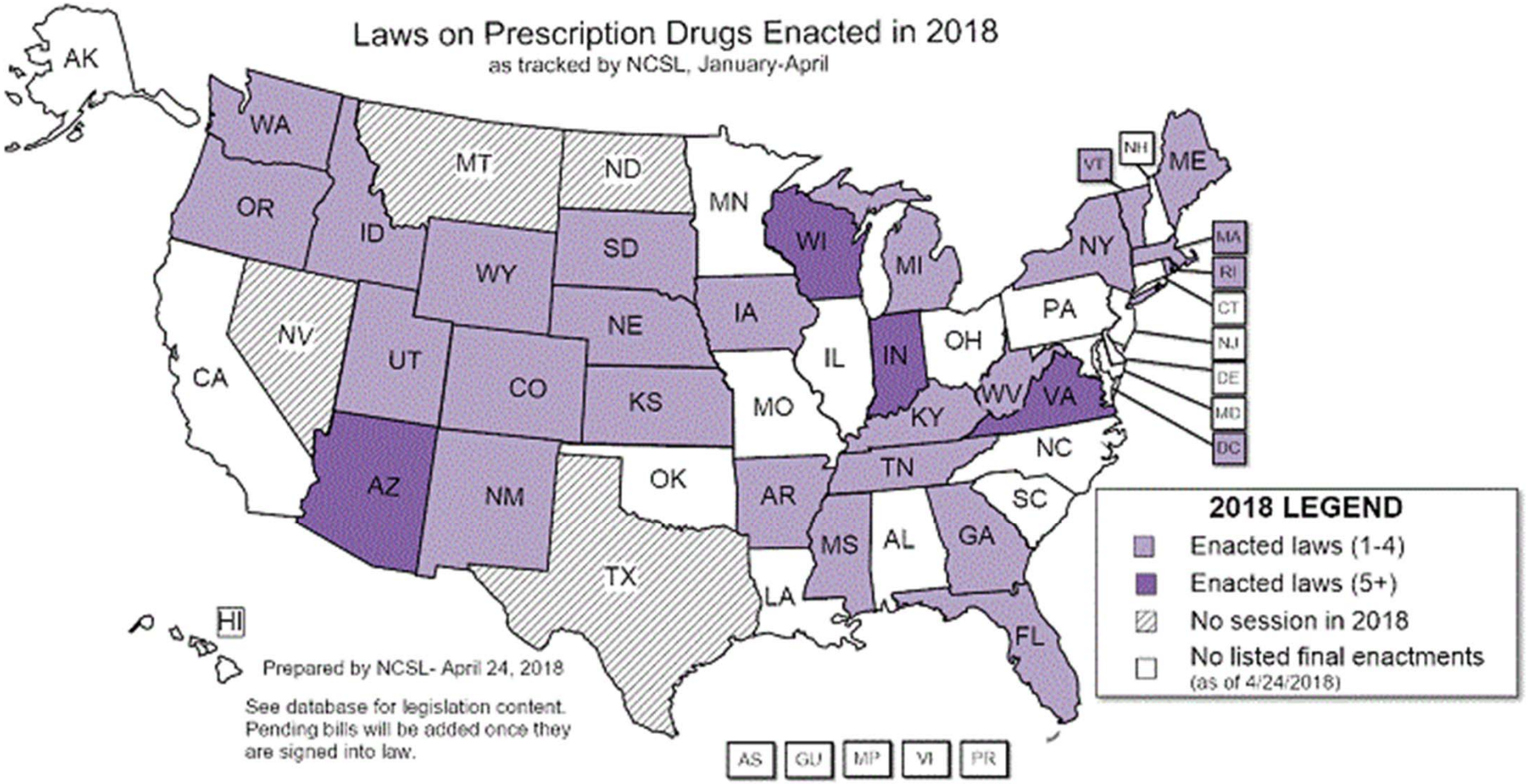
- Medicare Part D
  - Plan flexibility
  - Sharing rebates at POS
  - Eliminate “gag clauses” in pharmacy contracts

- Medicare Part B
  - Inject negotiation and competition
  - Inflation limit

Blueprint To Lower Drug Prices

- What can be done without Congress?
  - Broad demonstration authority through Innovation Center
    - Medicaid drug rebate program opt-out; move Part B drugs to Part D
  - Ban ‘gag clauses’ in Part D; pass on rebates at POS
  - CAP program in Part B
  - 340B patient definition
  - Drug list price disclosure in TV ads (?)

State Activity



Source: National Conference of State Legislatures

THE PEW CHARITABLE TRUSTS

Medicaid Waivers and Updates

- Massachusetts: CMS denies 1115 waiver for a closed formulary.

- Oklahoma: CMS approves State Plan Amendment to negotiate supplemental rebates involving value-based purchasing

State Activity

- Medicaid spending cap (NYS)
- PBM Practices
  - Ban “gag rules” and “clawbacks”
  - Require PBM licensure
- Price transparency and price controls
  - Require manufacturers and wholesalers to notify purchasers of price increases above a specified threshold and justify price hikes.
  - Rate setting (proposed)

State Activity

- Other types of state drug spending laws:
  - Limiting patient out of pocket costs
  - Restricting utilization management
  - Regulating biologics and biosimilar substitution policies
  - Importing certain drugs from Canada

Questions and discussion?

http://www.pewtrusts.org/en/projects/drug-spending-research-initiative

@coukell