Manufacturer and Health Plan Perspectives on Drug Pricing Reform

Prepared for Alliance for Health Policy

Avalere Health | An Inovalon Company
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Agenda

**Goal:** Provide an overview of pharmaceutical manufacturer and health plan perspectives on key portions of the recent drug pricing legislative and regulatory reforms.

1. Public Statements from Industry
2. Pharmaceutical Manufacturer Perspectives
3. Health Plan Perspectives
Perspectives on Drug Pricing Reforms Diverge Between Pharmaceutical Manufacturers and Health Plans

Manufacturers Support Some Limited Goals of Drug Pricing Reform When Patient Cost Sharing Is Reduced

Out-of-Pocket Cap in Medicare Part D / Nearly 800,000 beneficiaries in 2017 reached the catastrophic threshold in Medicare Part D. Unlike commercial coverage, Medicare Part D does not include a maximum out-of-pocket limit for a calendar year, leading to high costs for some beneficiaries. Manufacturers strongly support an out-of-pocket cap.

Rebate Passthrough in Medicare Part D / The Administration’s proposed, since retracted, rule to require Part D plans and PBMs to pass through manufacturer rebates was strongly supported by manufacturers as a way to reduce patient cost sharing.

Percent of Non-LIS Beneficiaries Reaching Catastrophic by Month and Average Annual OOP Spending, 2017 /

Source: Avalere analysis of 2017 Medicare Part D Prescription Drug Event Data (PDE).
### However, Manufacturers Strongly Oppose the Majority of Recent Drug Pricing Legislation

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<thead>
<tr>
<th>Category</th>
<th>Opposition Level</th>
<th>Position</th>
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| **Part D Benefit Redesign**     | Some Opposition  | - Industry conceptually supports Medicare Part D redesign when paired with an out-of-pocket cap  
                                  |                   | - Manufacturers are focused on limiting their rebate liability and/or ensuring rebates are paid throughout the benefit |
| **Price Increase Transparency** | Strong Opposition| - Manufacturers oppose mandatory transparency reporting, particularly proposals that report “proprietary information”  
                                  |                   | - Industry has consistently opposed price increase transparency and reporting requirements in the states |
| **Inflation Based Rebate in Public Programs** | Strong Opposition | - Manufacturers oppose inflation rebate penalties being introduced to Medicare  
                                  |                   | - Senate Finance provision to increase the rebate cap in Medicaid from 100% to 125% of AMP is likely to negatively impact industry |
| **Federal Price Negotiation**   | Strong Opposition| - Manufacturers strongly oppose mandatory price caps and negotiation based on international reference pricing  
                                  |                   | - CBO estimates manufacturers may lose between $500B to $1T in revenues due to HR3  
                                  |                   | - Largest financial liability for pharmaceutical industry of any legislative proposal in recent memory |

### Health Plans Are Broadly Supportive of Drug Pricing Reform, With Some Caveats

#### Ensuring Premiums Remain Low
- Health plans generally support Medicare Part D redesign provided it does not lead to higher premiums  
- To date, the preliminary analysis of Senate Finance drug pricing proposal projects decreases in Part D premiums for beneficiaries

#### Applying Lower Prices to the Commercial Market
- Drug price negotiation in HR3 is likely to lead to lower drug costs for commercial plans and lower premiums for health plan customers  
- Lower drug prices for the commercial market would be a significant benefit for commercial (particularly employer) plans

#### Changing LIS and EGWP Treatment Concerns Plans
- There are substantial confusion and questions about the applicability of the Medicare Part D redesign to subsidies for low-income beneficiaries and for employer group welfare plans (EGWPs)  
- Some interpretations of the draft legislation would increase plan liability for plans enrolling LIS beneficiaries or EGWPs, increasing premiums and threatening the viability of EGWPs
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