



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

PRESS RELEASE

PhRMA Statement on Speaker Pelosi's Radical Plan

PhRMA | September 19, 2019 | SHARE THIS

WASHINGTON, D.C. (September 19, 2019) – Pharmaceutical Research and Manufacturers of America (PhRMA) president and CEO Stephen J. Uhl issued the following statement:

"Speaker Pelosi's radical plan would end the current market-based system that has made the United States the global leader in developing innovative, lifesaving treatments and cures. It would fundamentally restructure how patients access medicines by giving the federal government unprecedented, sweeping authority to set medicine prices in public and private markets while importing price controls from other countries that restrict access to innovative medicines. It would upend the successful Medicare Part D program that 40 million seniors rely on without any guarantee that savings would be used to lower costs at the pharmacy counter. We do not need to blow up the current system to make medicines more affordable. Instead, policymakers should pursue practical policy solutions such as sharing negotiated savings with patients at the pharmacy counter, lowering coinsurance in Medicare Part D, increasing transparency on patients' costs, promoting value-based contracts, among other improvements to the system. These solutions are better alternatives to the far-reaching proposals in Speaker Pelosi's plan."

AHIP Issues Statement on House Speaker Nancy Pelosi's Drug Pricing Plan

WASHINGTON, D.C. – Matt Eyles, president and CEO of America's Health Insurance Plans (AHIP), issued this statement following the rollout of House Speaker Nancy Pelosi's drug pricing plan.

"Drug prices are out of control, and millions of hardworking American families feel the consequences every day. No one should have to choose between paying their bills and getting their life-saving medications."

"We commend the House leadership for a bold reform proposal recognizing the problem is the price of drugs – set and controlled exclusively by manufacturers – and that drug makers must be held accountable to lower prices for consumers and patients. For too long, Big Pharma has taken advantage of government-granted monopolies to set outrageous launch prices, eliminate competition and increase prices on the same products year after year."

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

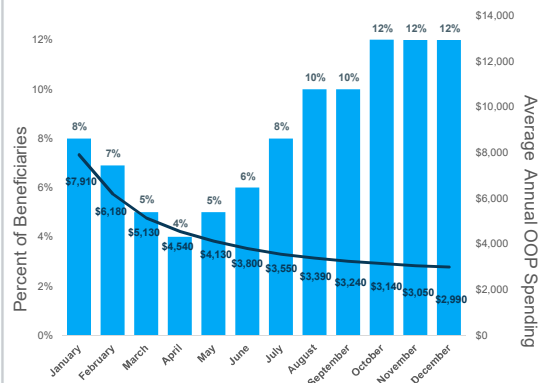
Out-of-Pocket Cap in Medicare Part D /

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).



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However, Manufacturers Strongly Oppose the Majority of Recent Drug Pricing Legislation

Some Opposition	Part D Benefit Redesign	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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
Strong Opposition	Federal Price Negotiation	<ul style="list-style-type: none"> 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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