

# Prescription Drug Prices

## What is the impact of prescription drug pricing on health care costs?

Prescription drug spending remains a significant challenge to health care affordability for employers and consumers, with pharmacy costs accounting for \$12.7 billion in health care spending in 2021 alone, according to CHIA's *Annual Report on the Performance of the Massachusetts Health Care System* for 2023.<sup>1</sup> From 2019 to 2021, pharmacy spending grew by nearly \$2.1 billion gross of rebates and close to \$1.3 billion net of rebates, increasing at an annualized rate of 9.6% and 7.5% respectively, well above the 3.6% benchmark. Since 2014, prescription drug prices have risen 33%, 20 times faster than the rate of inflation and outpacing price increases for any other medical commodity or service.<sup>2</sup> In addition to price increases for existing generic and specialty medications, launch prices for new brand-name prescription drugs increased 20% per year between 2008 and 2021. Median launch prices increased from \$2,115 per year in 2008 to \$180,007 per year in 2021, while the share of drugs priced at \$150,000 per year or more rose from 9% in 2008-2013 to 47% in 2020-2021.<sup>3</sup> So far this year, brand name drug makers have hiked prices on at least 587 brand name drugs.

Despite these significant increases, the pharmaceutical industry remains absent from the cost containment conversation in Massachusetts. Making health care more affordable is a shared responsibility. Health plans and providers are being held accountable for keeping their costs in line with the state's cost benchmark; similar accountability is needed for drug manufacturers.

## 2023-2024 Legislative Session

This legislative session, there have been 69 bills filed to limit or eliminate health plans' limited ability to constrain prescription drug costs for the employers and consumers they serve, including:

- Bills seeking to eliminate the use of specialty pharmacies (SB1369 Feeney, SB630 Eldridge, SB601 Creem, HB1247 Sullivan, SB655 Lewis, HB144 Santiago, HB1147 Sena)
- Bills that aim to ban coupon accumulators (SB609 Crighton & HB953 Cahill)
- Prohibition of prior authorization for all prescription drugs, including costly branded and specialty drugs (Senate Bill 677 Mark & House Bill 941 Balsar)
- Elimination of prior authorization, concurrent review, and retrospective review (Senate Bill 1249 Friedman & House Bill 1143 Santiago)
- Bills seeking reduction or prohibition of cost sharing on generic and brand name prescription drugs and other cost containment tools including prior authorization and step therapy programs (SB612 Feeney, HB978 Coppinger, SB619 Cyr, SB670 Lovely, HB1135 Ryan, SB749 Friedman, HB943 Barber, HB945 Barber)

## Talking Points

### *Cost Savings Strategies are Under Attack*

- Massachusetts needs solutions that deliver real competition, create more choices, and ensure that open and honest drug prices are driven by the value they bring to patients.
- High drug prices contribute to health insurance premium increases and high out-of-pocket costs, placing a financial burden on patients, families, and the health care system. It is therefore critical that the Commonwealth be aggressive in targeting the persistent annual increase.
- Health plans have limited tools to direct members to safe, effective, and lower cost drugs. The pharmaceutical industry is focused on removing these tools to drive members to new, high-cost drugs, when in fact, there are lower cost drugs on the market today that may be equally as effective.

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<sup>1</sup> Center for Health Information and Analysis. *Annual Report on the Performance of the Massachusetts Health Care System: March 2023*. Available at: <https://www.chiamass.gov/assets/2023-annual-report/2023-Annual-Report.pdf>

<sup>2</sup> GoodRx Health. *Prices for Prescription Drugs Rise Faster Than Prices for Any Other Medical Good or Services* (2020). Retrieved from: <https://www.goodrx.com/blog/prescription-drugs-rise-faster-than-medical-goods-or-services/>

<sup>3</sup> Rome BN, Egilman AC, Kesselheim AS. Trends in Prescription Drug Launch Prices, 2008-2021. *JAMA*. 2022;327(21):2145–2147. doi:10.1001/jama.2022.5542 <https://jamanetwork.com/journals/jama/article-abstract/2792986>

- The bills relative to pharmacy targets cost containment tools by eliminating, or requiring new reporting relative to cost-sharing, including prohibition on Copay Accumulator/Maximizer programs and elimination of prior authorization and utilization management for prescription drugs.

#### *Coupon Accumulator Ban*

- Copay Coupons are provided directly to patients by drug manufacturers so they can receive a discount on a specific brand drug.
- Drugmakers use coupons as an incentive for patients to use branded drugs instead of less expensive generics, insulating patients from the true cost of a drug. At the same time, health plans continue to pay the same price for the drug, regardless of the coupon discount.
- Coupons reduce the use of generic drug competitors and increase branded drug sales by more than 60%. Coupons increased brand drug makers' revenue by \$700 million to \$2.7 billion, an average windfall of \$30 to \$120 million per drug.
- Copay accumulator programs have been developed to mitigate the market distortion that coupons cause. Accumulators operate on a simple premise: when a manufacturer discounts its price through a copay coupon, the discount does not require the patient to incur any cost, so it does not count toward a patient's cost-sharing. This preserves important cost-sharing incentives that help nudge patients toward lower cost, higher value choices.
- Lawmakers should not allow drug manufacturers to manipulate the market, keep their prices high, and avoid transparency into the prices that they set. We must work together on real solutions to improve health care affordability, access, and choice for our members, employers, and small businesses.

#### *Prior Authorization and Utilization Management*

- Utilization management tools like formulary development, network development and management, and prior authorization and step therapy programs are aimed at lowering the costs of prescription drugs, promoting the use of generics and more affordable brand-name prescriptions, improving quality and medication adherence, and keeping costs down for consumers, employers, and small businesses.
- Numerous studies have shown that the differences in how care is provided to patients can lead to inappropriate, unnecessary, and more costly treatments that can harm patients.
- Prior authorization helps deliver the most effective, safest, and most affordable care. It prevents waste and improves affordability for patients, consumers, and employers.
- Prior Authorization programs are utilized by the industry to ensure patient safety, to provide intervention in areas that were vulnerable to misuse and to lower healthcare spending.
- We must ensure that the right care is delivered at the right time in the right setting – and covered at a cost that the patients and their families can afford.