



FOCUS ON

PHARMACY COSTS

\$5.1 BILLION IN NEW RX SPENDING, BUT NO ADDED VALUE

NEW REPORT FINDS PRICE INCREASES NOT SUPPORTED BY NEW CLINICAL EVIDENCE

While advances in the development of life-saving medications offer tremendous clinical benefits for patients, rising prescription drug prices is a major threat to keeping health care affordable for employers and consumers. At the same time, it is unclear these price increases are justified.

A new report by the Institute for Clinical and Economic Review (ICER) examined whether certain price increases are justified by new clinical evidence or other factor. An independent, non-partisan research organization that objectively evaluates the clinical and economic value of prescription drugs, medical tests, and other health care and health care delivery innovations, ICER analyzed pharmaceutical manufacturer price increases on 7 widely used drugs in 2017 and 2018 resulted in an additional \$5.1 billion in spending for insurers and consumers. **Its analysis asked the question, “Was there any new clinical evidence to support those price increases?” The conclusion: No.**

“The findings show that a lot of manufacturers are raising prices by a lot, year over year, because they can.”
- Dr. David Rind,
ICER Chief Medical Officer
STAT Pharmalot, Oct. 8, 2019

What ICER Found

ICER identified the 100 largest-selling drugs in the U.S. and then searched for medicines for which prices, after estimated rebates and discounts, increased at least twice the rate of medical inflation. It then identified for assessment nine drugs whose price hikes could have contributed to the largest net increase in drug spending, including treatments for rheumatoid arthritis, cancer, multiple sclerosis, neuropathic pain, HIV, and erectile dysfunction. The analysis concluded that seven drugs resulted in \$5.1 billion in unjustified spending increases.

Top Drugs with Price Hikes Unsupported by New Evidence, Per ICERO				
Drug	First Approved	Wholesale Acquisition Cost % Change: Q42016-Q42018	Net Price Increase % Change: Q42016-Q42018	Spending Increase Due to Net Price Change
Humira	2002	19.1%	15.9%	\$1,857,000,000
Rituxan	1997	17.0%	23.6%	\$806,000,000
Lyrica	2004	28.3%	22.2%	\$688,000,000
Truvada	2004	14.3%	23.1%	\$550,000,000
Neulasta	2002	14.6%	13.4%	\$489,000,000
Cialis	2003	26.2%	32.5%	\$403,000,000
Tecfidera	2013	16.7%	9.8%	\$313,000,000
Average		17.0%	20.0%	
Total				\$5,106,000,000

source: ICER, underlying data from SSR Health

POLICY RECOMMENDATIONS: WHEN IT COMES TO PRESCRIPTION DRUGS, THE PROBLEM IS PRICE

Out-of-pocket costs are dictated by the list price of a drug, which is solely determined by the drug manufacturer. As consumers, employers, providers, health plans, and the state grapple with rising prescription drug costs, greater understanding is needed into how prescription drug prices are set and the rationale for price increases. The following recommendations would provide policymakers and the marketplace with greater accountability and understanding into changes in prescription drug spending to ensure that prices are justified and to make health care more affordable:

PRICE TRANSPARENCY

Consumers, employers, state government programs, providers and health plans must price and budget many months in advance, leaving the health care delivery system vulnerable to uncertainty regarding price changes for existing drugs and the prices of new drugs. Considering the role that pharmaceutical costs have on health care spending, sensible measures should be taken requiring pharmaceutical manufacturers to explain the prices they charge for the product. This should include state reporting on how often the price of the drug has increased and the rationale for the increases, the direct costs associated with manufacturing the drug, such as R&D and materials costs, marketing and distribution spending, net profits, spending on patient assistance programs and coupons, and other important clinical details that may affect the price of the drug.

EARLY WARNING OF INCREASE IN THE DRUG'S PRICE

Unfortunately, as the price point on new medications goes up it has also resulted in the rising price of existing prescription drugs and treatments that are already in the marketplace. There is little to no information provided by manufacturers to justify these substantial increases in the price of the prescription drug. Prior to any prescription drug price increase of more than 10 percent of the wholesale acquisition cost (WAC), including cumulative increases that occurred within the previous two calendar years, the manufacturer should provide 60 days' notice of the increase. The notice should require the manufacturer to disclose simple and easy producible information such as the date of the increase, current WAC of the prescription drug, the dollar amount of the future increase in the WAC of the prescription drug, and an explanation on the need for the increase so that consumers, employers, providers, health plans, and the state have notice before the increase takes effect.