

**NC Life Science Caucus**

May 22, 2019  
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State Policy, PhRMA

**PhRMA**  
RESEARCH • PROGRESS • HOPE

## Innovation for HIV/AIDS Patients



*Since 2000, biopharmaceutical companies have brought*  
**MORE THAN 500 NEW TREATMENTS AND CURES**  
*to U.S. patients*

 In the last 100 years, medicines have helped raise average U.S. life expectancy from 47 years to 78 years*	 5 year cancer survival rates are up 39 percent across all cancers**
 Death rates for HIV/AIDS and cancer has fallen 85 percent and nearly 22 percent since their peaks in 1995 and 1991***	 New hepatitis C therapies have cure rates of more than 90 percent****

\*Source: CDC  
 \*\*Source: American Cancer Society  
 \*\*\*Source: CDC, NCI  
 \*\*\*\*Source: FDA

Prescription Medicines: Costs in Context [www.phrma.org/cost](http://www.phrma.org/cost)

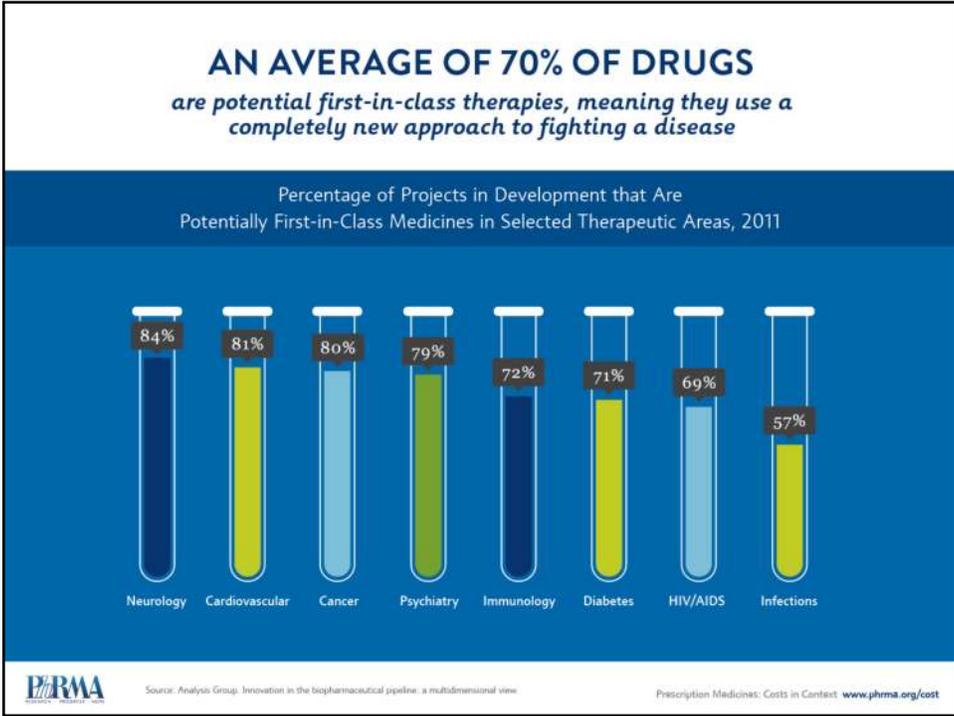
**TODAY MORE THAN 7,000 MEDICINES**  
*are in development around the world*

Medicines in Development\*

Selected Diseases	Number of Medicines in Development
Cancers	1,813
Cardiovascular Disorders	599
Diabetes	475
HIV/AIDS	159
Immunological Disorders	1,120
Infectious Diseases	1,256
Mental Health Disorders	511
Neurological Disorders	1,329

\*Defined as single products which are counted exactly once regardless of the number of indications pursued

Source: Adis R&D Insight Database  
 Prescription Medicines: Costs in Context [www.phrma.org/cost](http://www.phrma.org/cost)





**HEPATITIS C**  
The leading cause of liver transplants and the reason liver cancer is on the rise – is now curable in more than 90 percent of treated patients.\*

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**CANCER**  
New therapies have contributed to a 23% decline in the cancer death rate since its peak in 1991. Today, 2 out of 3 people diagnosed with cancer survive at least 5 years.\*\*

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**HIGH CHOLESTEROL**  
America's biopharmaceutical companies are currently developing 190 medicines to treat heart disease, stroke and other cardiovascular diseases. New PCSK9 inhibitors have revolutionized high cholesterol treatment. Between 1991 and 2011, the death rate from heart disease dropped 46%.\*\*\*

**The Washington Post**

November 16, 2015

**Gov. Hogan's Cancer is in Remission, 30 Days After He Completed Chemo**

**The New York Times**

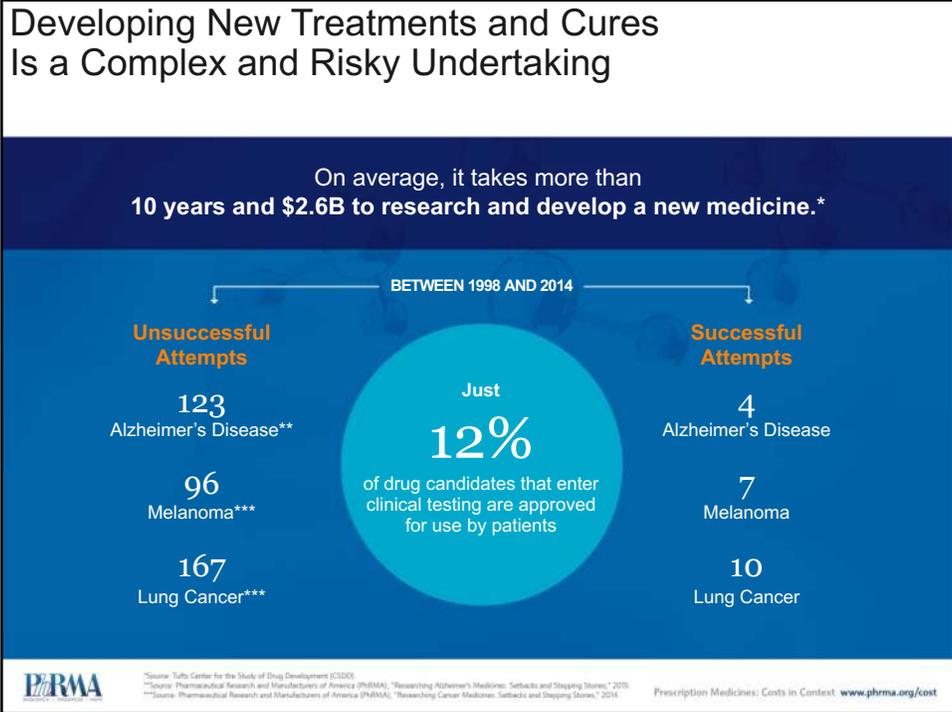
December 6, 2015

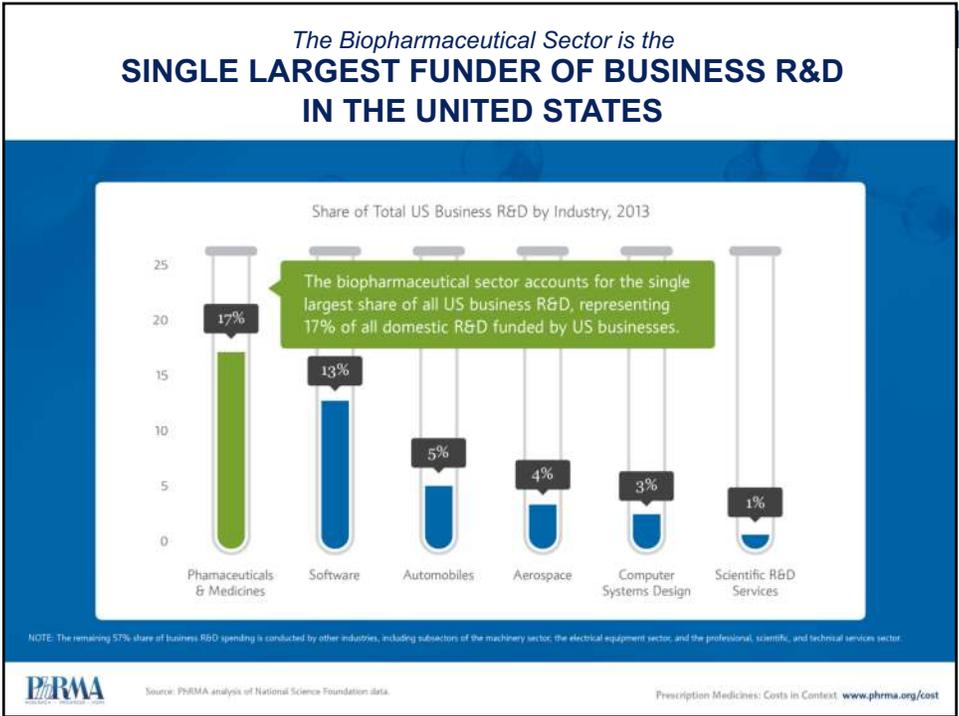
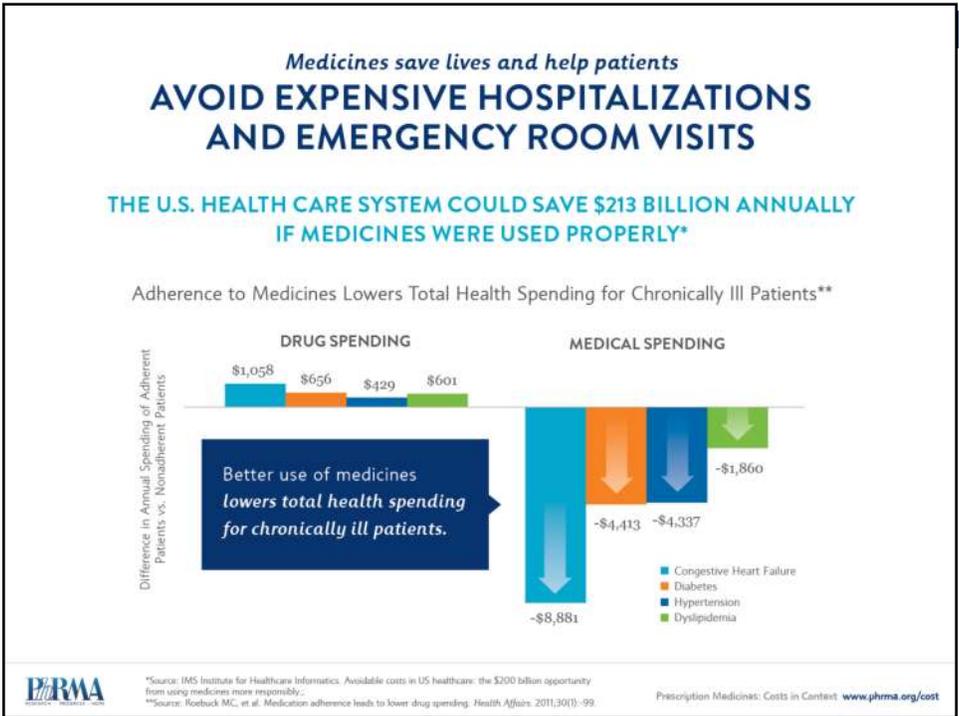
**Former President Jimmy Carter Says He is Free of Cancer**

**PhRMA**

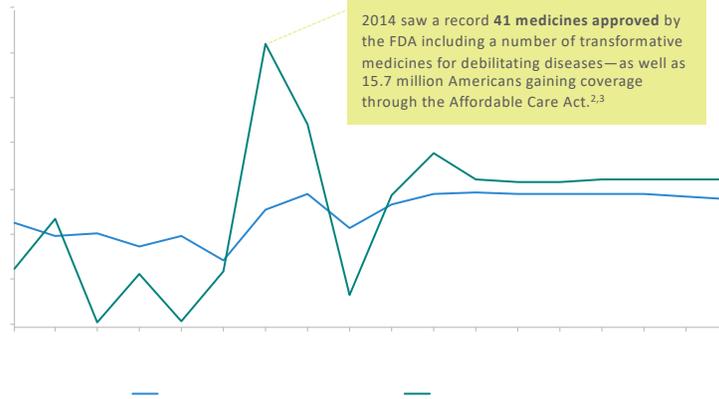
\*Source: U.S. Food and Drug Administration.  
\*\*Source: American Cancer Society.  
\*\*\*Source: Pharmaceutical Research and Manufacturers of America (PhRMA) and the Association of Black Cardiologists (ABC).  
\*Medicines in Development for Heart Disease and Stroke, December 2015.

Prescription Medicines: Costs in Context: [www.phrma.org/cost](http://www.phrma.org/cost)





- Government actuaries project prescription drug spending growth to remain between 6% and 8% through 2025, in line with overall health care spending growth.<sup>1</sup>

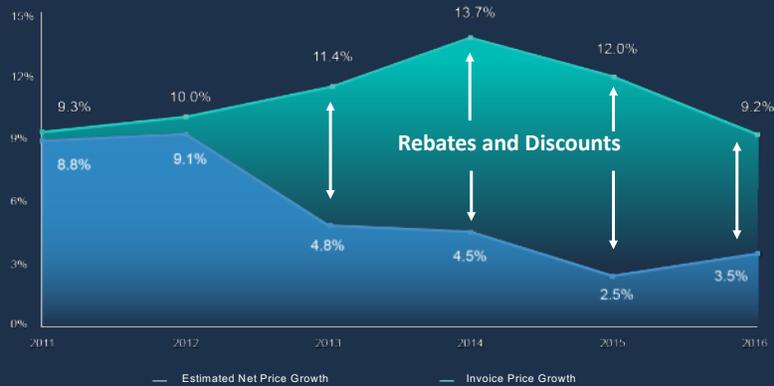


\*Total retail sales including brand medicines and generics

• Sources: PhRMA analysis of CMS data<sup>1</sup>; RAND Corporation<sup>2</sup>; FDA<sup>3</sup>



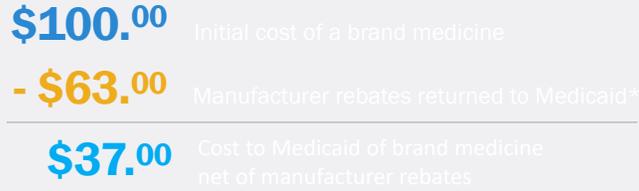
In fact, after discounts and rebates, brand medicine prices grew just 3.5% in 2016.



Source: IMS Institute for Healthcare Informatics, National Sales Perspectives, May 2017.

## Initial Medicaid Costs for Medicines Greatly Overstate Costs Net of Rebates

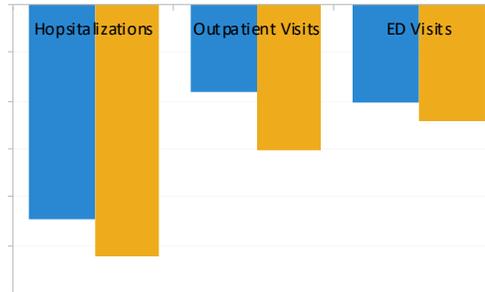
*How rebates dramatically lower costs for states:*



Congressional Budget Office, Options for Reducing the Deficit: 2017 to 2026, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/52143-budgetoptions.pdf>, Published December 2016, Accessed March 2019.

## Increased Use of Medicines Reduces Medicaid Medical Utilization

*Percent Impact of a 1% Increase in Prescription Drug Utilization can Decrease Medical Utilization in Medicaid by as Much as<sup>1,2</sup>*



1. Roebuck, Mark C., PhD, Kaestner, Robert J., PhD, & Dougherty, Julia S., PhD. Impact of Medication Adherence on Health Services Utilization in Medicaid. *Med Care* 2018; 56: 264-273.  
2. Utilization change based on largest change among examined condition groups: congestive heart failure, dyslipidemia, diabetes, asthma/COPD, depression, and schizophrenia/bipolar disorder.

*Example*

## THEN & NOW

*How Prescription Drug Prices Fall Significantly Over Time*

Biopharmaceutical companies invest in pioneering research to bring new treatments to patients, and over time those medicines become available as lower-cost generic copies.

MEDICINE	BRAND NAME THEN	GENERIC NOW	% CHANGE
DIOVAN HCT <sup>®</sup> <i>Hypertension</i>	2010 \$87	\$13	-85%
LIPITOR <sup>®</sup> <i>Cholesterol</i>	2010 \$85	\$4	-95%
PLAVIX <sup>®</sup> <i>Blood Thinner</i>	2011 \$166	\$5	-97%
SEROQUEL <sup>®</sup> <i>Schizophrenia</i>	2010 \$87	\$3	-97%
ZYPREXA <sup>®</sup> <i>Schizophrenia &amp; Bipolar Disorder</i>	2010 \$393	\$8	-98%

Figures represent the average annual price for 30 pills of the most commonly dispensed form and strength.  
 \*Then\* price represents the average price in the year prior to generic entry; \*Now\* price represents the average price in CY 2014.  
 Source: IMS analysis for PhRMA, May 2015.

Prescription Medicines: Costs in Context: [www.phrma.org/cost](http://www.phrma.org/cost)

## Patent Cliff

Competition From Generics and Biosimilars Is Expected to Reduce US Brand Sales by \$105 Billion From 2018 to 2022

Lower Brand Invoice Spending Due to Loss of Exclusivity (in Billions), 2013-2022

Year	Spending (Billions)	Type
2013	-\$17	Actual
2014	-\$12	Actual
2015	-\$15	Actual
2016	-\$14	Actual
2017	-\$17	Actual
2018	-\$16	Projected
2019	-\$26	Projected
2020	-\$26	Projected
2021	-\$19	Projected
2022	-\$18	Projected

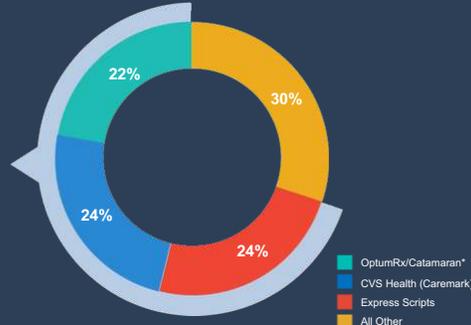
■ Actual     ■ Projected

\*Figures may not sum due to rounding.

## Insurers and PBMs have a lot of leverage to hold down medicine costs.

Negotiating power is increasingly concentrated among fewer pharmacy benefit managers (PBMs).

Top 3 Market Share: **70%**



Note: OptumRx and Catamaran merged in 2015. Their 2014 shares are shown combined.  
Source: Drug Channels Institute.

### Insurers determine:

**FORMULARY**  
if a medicine is covered

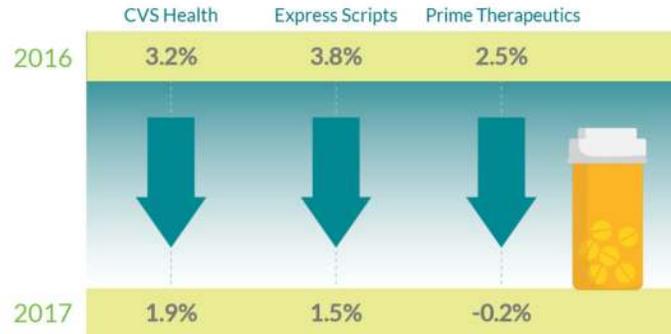
**TIER PLACEMENT**  
patient cost sharing

**ACCESSIBILITY**  
utilization management through prior authorization or fail first

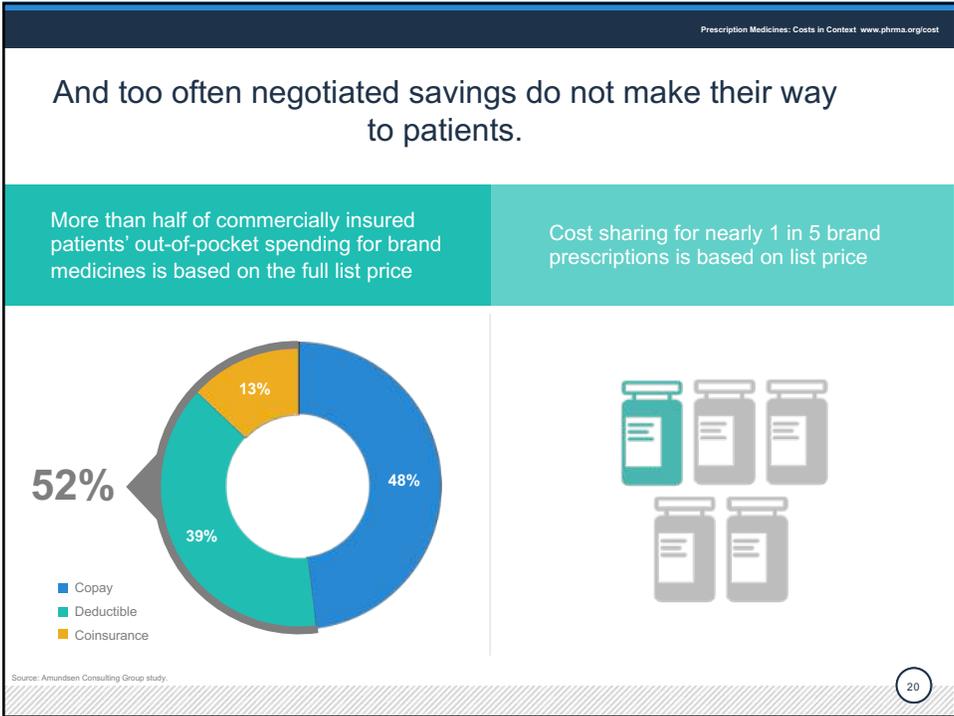
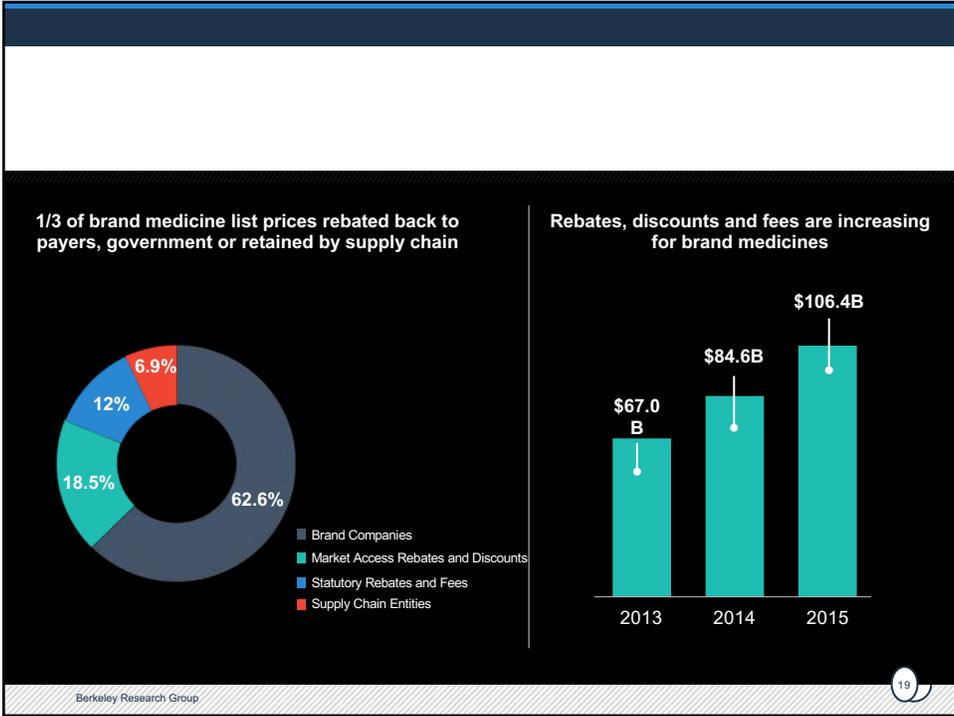
**PROVIDER INCENTIVES**  
preferred treatment guidelines and pathways

## Pharmacy Benefit Managers (PBMs) Report Record Low Growth in Spending

Annual Growth in Net Retail Prescription Medicine per Member per Year Spending for PBM Commercial Clients



Sources: CVS Health<sup>15,16</sup>; Express Scripts<sup>17</sup>; Prime Therapeutics<sup>18,19</sup>



Sharing negotiated discounts with patients would increase premiums about 1%.

Certain commercially insured patients could save \$145 to more than \$800 annually.

**Change in Plan Costs with Shared Rebates**

	PLAN TYPE		
	Traditional PPO	Copay HDHP*	Coinsurance HDHP
Net Plan Per Member Per Month Spend	\$433.91	\$374.41	\$372.89
Change in Plan Costs \$	\$0.82	\$2.62	\$3.84
Change in Plan Costs %	0.2%	0.7%	1.0%

NOTE: Plan cost includes medical and pharmacy claims  
\*HDHP = High-deductible health plan

*Medicines are Part of the Solution...*  
**AND MORE CAN BE DONE TOGETHER**



## Key Takeaways

- Total prescription medicine spending is expected to remain constant at about 14% of total health care expenditures from 2015 through 2025 even as many new treatments reach patients.
- Less than half of all net spending on prescription medicines – or about 7% of total health care spending – goes to brand biopharmaceutical manufacturers .
  - 10% is from brand and generics. (7% brands / 3% generics).
  - 4% is from other supply chain entities.
- Federal government actuaries report retail prescription medicine spending grew just **1.3%** in 2016, less than one-third the rate of overall health spending growth.
- 90% of all prescriptions filled in 2016 were generics, up from 80% in 2011. IMS projects that \$140 billion of U.S brand sales will face competition from generics of biosimilars between 2017 and 2021. There is no similar type of cost containment for other health care services.

- Claims from PBMs, payers, and others about “skyrocketing prices” of medicine

## Let's Talk About Cost

**What is driving up my health care costs?**

**Why am I paying more than my insurer for my medicine?**

**Who decides what I pay for my medicine?**

**How can we make medicine more affordable for patients?**

We know you have heard other questions about health care costs, but we need to help you understand the answers. That's why we are creating a series of materials that take a look at the complex issues involving the distribution of medicine and growth, the rising cost of health care, and the role of payers. We will also look at what our industry can do to make medicine more affordable for patients. Visit [www.letstalkaboutcost.com](http://www.letstalkaboutcost.com) for more information.

Let's Talk About Cost | ERMA

**You don't pay full price for doctor or hospital visits.**

**So why is a visit to the pharmacy different?**

**DRUG PRICES ARE GROWING AT THE SLOWEST RATE IN YEARS.**

**SO WHY DOESN'T IT FEEL THAT WAY?**

YOUR DRUGS COST A LOT LESS THAN YOU THINK.

ERMA

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## New Access and Affordability Platform: Meet MAT

- Broadens the Partnership For Prescription Assistance (PPA) considerably to help uninsured as well as those with limited coverage.
- A search engine to connect patients with medicine-specific financial assistance programs
- Resources to help patients navigate their insurance coverage
- Information about the cost of medicines
- Serves as a resource for patients, caregivers and health care professionals



logo variations



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# Questions??

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## Medicaid Price Controls

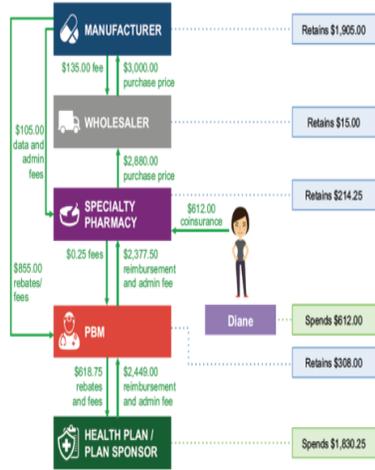
*Price Controls in Medicaid Are Manifested Through the Rebate Program*

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**THE BASE REBATE FOR BRAND MEDICINES**  
 is the greater of **23.1%** of the Average Manufacturer Price (AMP) or the difference between AMP and a manufacturer's best price for the drug.\*
- 
**AN ADDITIONAL REBATE**  
 is paid by brand manufacturers if their AMP increases more than inflation.
- 
**ADDITIONAL STATE SUPPLEMENTAL REBATES**  
 are also often required on brand medicines.
- 
**GENERIC MANUFACTURERS**  
 also pay a statutory rebate of **13.0%** of AMP
- 
**ACCORDING TO THE CONGRESSIONAL BUDGET OFFICE**  
 Medicaid price controls distort the market, resulting in higher prices elsewhere.<sup>4,5</sup>

In FY 2017, manufacturers paid Medicaid rebates totaling **\$34.9 billion**<sup>6</sup>

4. Congressional Budget Office. Letter to Senate Finance Committee Chairman Chuck Grassley (R-IA). June 21, 2005.  
 5. Congressional Budget Office. How the Medicaid rebate on prescription drugs affects pricing in the pharmaceutical industry. Washington, DC: CBO; 1996.  
[www.cbo.gov/sites/default/files/cbofiles/ftpdocs/47xx/doc4750/1996doc20.pdf](http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/47xx/doc4750/1996doc20.pdf). Accessed January 2015.  
 6. MACPAC. MACStats: Exhibit 28. Medicaid Gross Spending and Rebates for Drugs by Delivery System, FY 2017. <https://www.macpac.gov/wp-content/uploads/2015/11/EXHIBIT-28-Medicaid-Gross-Spending-and-Rebates-for-Drugs-by-Delivery-System-FY-2017.pdf>. Published December 2018. Accessed March 2019.

## Flow of Payment for a \$3,000 HIV Medicine



This graphic is illustrative of a hypothetical product with a WAC of \$3,000 and an AMP of \$3,600. It is not intended to represent every financial relationship in the marketplace.

- Diane’s coinsurance is calculated based on the medicine’s full undiscounted price, meaning she pays over \$100.00 more than if her coinsurance was based on the insurer’s actual cost
- Specialty pharmacy is owned by the PBM, so the PBM earns a total of \$522.25 on Diane’s prescription (\$308.00 + \$214.25)

**Assumptions:**

- \$3,000 list price per prescription
- 20% base rebate
- Patient pays 20% coinsurance