PRESCRIPTION DRUGS – FAST FACTS

• More than half of all Americans use prescription drugs
• Many products, both unique and competing:
  • US Food and Drug Administration (FDA) approved (dosages; delivery method) totals over 10,000
    • Total FDA different “molecules” is 2,100 (and growing)
• 90% of prescriptions filled now are generics (2017)
• Rapid pace of new, extraordinary treatments
HOW MUCH ARE WE SPENDING?

- In 2017, CMS reported that 10% of all health care spending went to Rx drugs = $333 billion.
  - 16.7% of overall personal health care spending went toward prescription drugs in 2017.
- 53% of retail goes to brand-name prescription drugs
- 7.6% is for specialty drugs ($600/month; injected or infused)
- 15% of Medicaid spending goes to prescription drugs
U.S. DRUG DISTRIBUTION CHAIN

Model designed by the Association of Managed Care Plans (AMCP)
WHO AND WHAT ARE PBMS?

Three Diverse Companies Control PBM Market in 2017
(Percentage share PBM lives)
GAG CLAUSES

State Legislation to Prohibit "Gag Clauses" Applying to Pharmacists

Enacted Laws = 33 states
(C) NCESL 2019. Updated May 2, 2019
See NCESL Prescription Drug Database for links to status and text
COPAY CLAWBACKS

### Table 1: Frequency and Average Size of Overpayments, 2013

<table>
<thead>
<tr>
<th></th>
<th>Number of Claims</th>
<th>Number of Claims with Overpayment</th>
<th>Percentage of Claims Involving Overpayment (95% CI)</th>
<th>Mean Overpayment (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Drugs</td>
<td>9,539,846</td>
<td>2,188,578</td>
<td>22.94% (22.91, 22.97)</td>
<td>$7.69 (8.59)</td>
</tr>
<tr>
<td>Generic</td>
<td>7,295,525</td>
<td>2,055,024</td>
<td>28.17% (28.14, 28.20)</td>
<td>$7.32 (7.43)</td>
</tr>
<tr>
<td>Brand</td>
<td>2,244,321</td>
<td>133,554</td>
<td>5.95% (5.92, 5.98)</td>
<td>$13.46 (18.01)</td>
</tr>
</tbody>
</table>

Source: Optum Clinformatics™ Data Mart pharmacy claims, January–June 2013, and CMS NARP reimbursements from the same period. Confidence intervals are binomial.
Table 3: Average Spread by Quarter and by Drug Type

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Average Spread</th>
<th>Total Average Spread for All Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Brand</td>
<td>Generic</td>
</tr>
<tr>
<td>4/1/2017-6/30/2017</td>
<td>$2.11</td>
<td>$5.39</td>
</tr>
<tr>
<td>7/1/2017-9/30/2017</td>
<td>$2.03</td>
<td>$5.71</td>
</tr>
<tr>
<td>10/1/2017-12/31/2017</td>
<td>$1.57</td>
<td>$7.10</td>
</tr>
<tr>
<td>1/1/2018-3/31/2018</td>
<td>$1.62</td>
<td>$6.48</td>
</tr>
<tr>
<td>Yearly Total</td>
<td>$1.85</td>
<td>$6.14</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Brand</th>
<th>Generic</th>
<th>Specialty</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Prescriptions</td>
<td>5,268,144</td>
<td>33,913,042</td>
<td>197,408</td>
<td>39,378,694</td>
</tr>
<tr>
<td>Percentage of Claims</td>
<td>13.4%</td>
<td>86.1%</td>
<td>0.50%</td>
<td>100%</td>
</tr>
<tr>
<td>Amount Paid by Plans (millions)</td>
<td>$1,246.1</td>
<td>$662.7</td>
<td>$617.6</td>
<td>$2,526.5</td>
</tr>
<tr>
<td>Total Spread (millions)</td>
<td>$9.8</td>
<td>$208.4</td>
<td>$6.6</td>
<td>$224.8</td>
</tr>
<tr>
<td>Spread Relative to Total Paid Amount by Drug Type</td>
<td>0.8%</td>
<td>31.4%</td>
<td>1.1%</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

1 Source: Data provided by CVS Caremark and OptumRx
2 Based on the period of April 1, 2017 through March 31, 2018
3 We matched the spread data with the Medicaid Information Technology System using the pharmacy provider number. We found 334,475 services (0.8 percent) with no matching provider identification and removed those services for the purpose of this analysis.
4 Yearly totals are not an average and are weighted based on total records and amount paid.
- PBM REGULATION

- PBM
  - Registration and Licensure Requirements
  - Standards for Audits
  - Fee adjustments
  - Fiduciary
Louisiana and the ‘Netflix’ model
Covers Medicaid and corrections populations
- Five-year contract
- Will pay same amount they pay now but get unlimited access
Washington pursuing similar plan
- Includes state employees
VALUE-BASED PURCHASING

Leading the way

- Oklahoma
  - Four different drugs
  - Expected outcomes: adherence and hospitalizations

Close behind....

- Colorado
- Michigan
OTHER STATE ACTIONS

- Importation
  - Medical tourism
- Value-based or outcomes-based purchasing
- Transparency
  - Price increases
  - PBMs and manufacturers
- Step-therapy and prior authorization
WHAT’S NEXT??
NCSL Prescription Drug Policy Resource Center

4/15/2019

Cost and Pricing

Prescription drugs account for 10 percent of overall health spending in the U.S. National trends in prescription drug expenditures and projections published for 2017 summarizes "total U.S. prescription drug spending was projected to reach $350 billion in 2017.
Statewide Prescription Drug Database | 2015–Present

4/16/2019

Use this state legislative database to learn about and analyze what states are considering and enacting in current topic areas of prescription drugs. The bill listings include thirteen broad categories of state regulation and involvement. Using the search check-box below, you can search and filter on more than 4,600 pieces of legislation by state, year, topic, keyword, committee, sponsor status, and/or primary legislative sponsor. For more information on the topics covered in the database, please see the guide section below.

- Updates:
  - 2019 filed and pending legislation. Use the "2019" checkbox below. As of the end of March there were more than 770 measures in at least 50 states, Puerto Rico and D.C. listed for consideration in 2019. So far at least 24 new laws have been signed in at least 10 states and D.C. and Puerto Rico. Bills carried over from 2018 are included.
  - Weekly updates: Bill information for the current year is updated each Tuesday. New measures are added as they are introduced or identified by NCSL staff.
  - Two-year Sessions: Bills may appear twice in carry over states, in those states, please check the last date of action to ensure the measures have not expired.
  - Select year as "All" if you wish to look at past years. Newly filed bills may take weeks to be available for bill tracking procedures.

Over 800 bills filed in 2019 in all 50 states and D.C.!
THANK YOU!

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