

COLORADO COMMISSION ON AFFORDABLE HEALTH CARE

Presentation – November 2015 - Summary of PP

TITLE SLIDE: The cost of Prescription Drugs in Context

1. Since 2000, more than 500 new treatments and cures
2. More than 7000 medicines developed around the world
3. Benefit: avoid expensive hospitalizations and ER visits
4. HIV/AIDS – as treatment improved spending became sustainable

TITLE SLIDE: Putting prescription drug spending in Context

1. Retail spending on Rx medicines is a small share of total US HC spending (9.9%)
2. Spending on Rx medicines in Medicaid accounts – (4%)
3. Medicaid rebates on Rx medicines increase sustainability under ACA – will cost manufacturers \$40B from 2013 – 2021
4. How Medicaid drug rebate works for Brand drugs – (\$19B for brand drugs in 2014)
5. Invoiced prices increased in 2014 but were offset by rebates
6. The price of medicines –
 - a. prevalence of disease and projected value of med
 - b. competitive landscape and pt benefits vs. existing treatments
 - c. severity of disease and impact on morbidity and mortality
 - d. degree to which the drug changes medical practice, i.e. prevents more costly interventions
 - e. capital costs
 - f. expected government rebates and discounts
 - g. R&D costs
7. Powerful purchasers (PBMs = 0% of market share) negotiate for patients
8. competition and aggressive rebates reduce net drug costs
9. Case study – Hep C drugs
10. the prescription drug life cycle, i.e. reduced pricing over the years
11. Drug prices fall secondary to generic pricing
12. generic competition
13. 90% of US prescriptions are filled with generics

TITLE PAGE – recognizing challenges and changes in the marketplace

1. Industry sponsored clinical trials sponsored in communities
2. The biopharmaceutical research and development process – only 1% of meds make it to market
3. New treatments and cures are challenging – 10 years and \$2.6B to develop a new medicine.
4. Medicines are singled out by insurers
5. The use of cost sharing tiers – (?) the point
6. Rapid change in market for medicines - new tools for cost containment
 - a. VBID
 - b. Clinical pathways
 - c. providers at risk
 - d. negotiation over rebates and discounts
 - e. ACOs
 - f. bundled payments
7. And more can be done together – cost containment, pay for value, avoid blanket policies
8. Pharmaceutical resources

Evaluation:

1. Slide set #1: More drugs on the market results in increased drug costs. It further results in decreased costs of other interventions (hospitalizations, surgeries, etc.).
2. Slide set #2: Retail drug spending is low compared to other costs (9% of total budget). The high cost of drugs caused by R&D, capital costs, projected value of drug, etc.
3. Slide set #3: New treatment are expensive (R&D). The solution to high cost is cost containment introduced by physicians (P4P, pathways, MDs at risk, etc.)

Conclusion: This is a highly biased presentation by the pharmaceutical industry.