



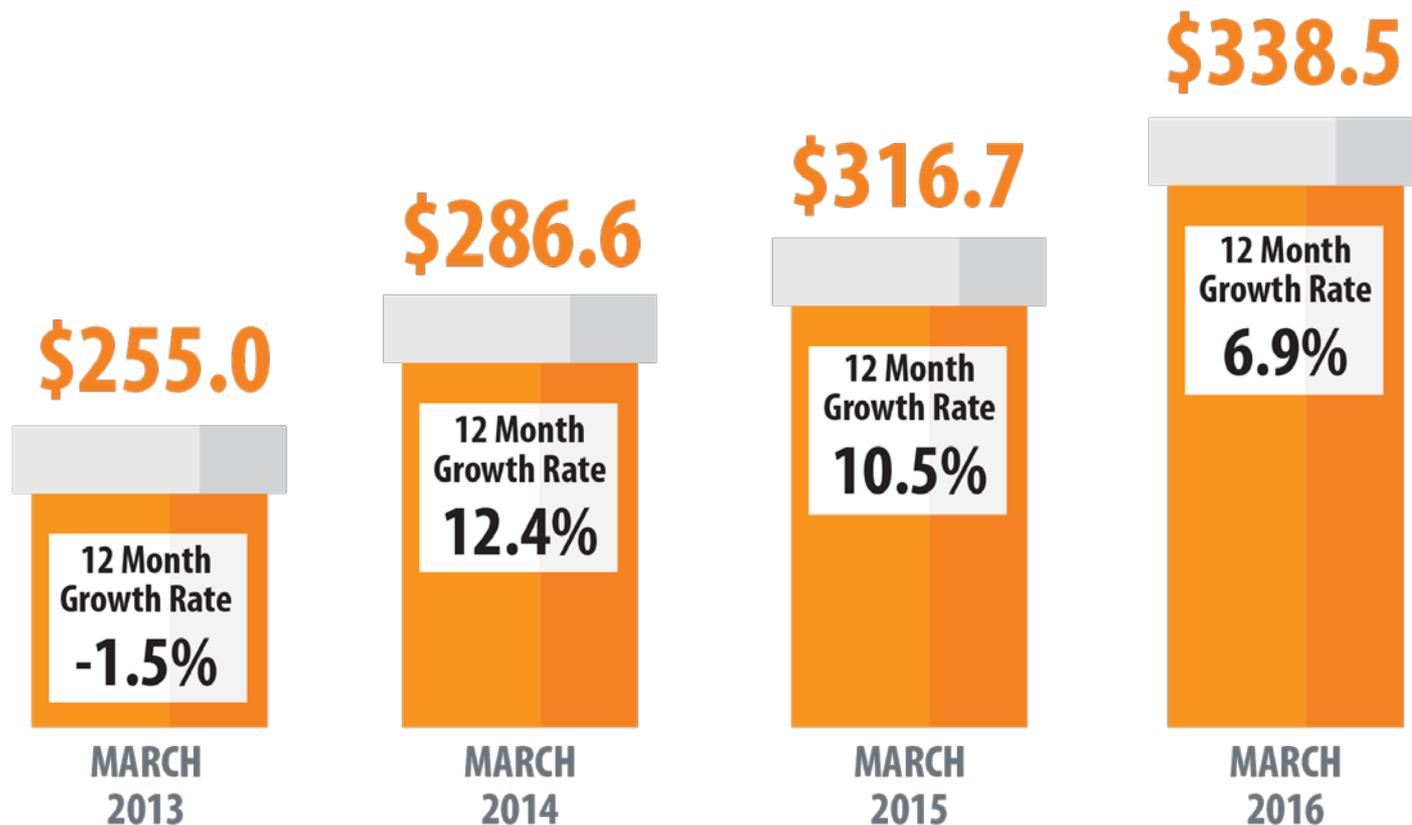
Deep Dive on Pharmaceuticals Costs

June 13, 2016

**Colorado Commission on
Affordable Health Care**

Prescription Drug Spending in the United States

National Spending (billions)



Source: Altarum Institute Spending Brief #15-5, #16-05



Prescription Drug Spending in Colorado

- Approximately **\$3.8 billion** in 2013
- A **354** percent increase from 1991
 - By comparison, total personal health care spending increased **327** percent.
- Lowest per capita prescription drug spending of any state in 2013



Colorado: Per Capita Spending on Personal Health Care Services in 2013

	2013	Percentage of Total
Hospital Care	\$2,560	37.1%
Physician & Clinical Services	\$1,829	26.5%
Other Professional Services	\$272	3.9%
Dental Services	\$401	5.8%
Home Health Care	\$165	2.4%
Prescription Drugs and Other Non-Durable Medical Products	\$723	10.5%
Durable Medical Products	\$203	2.9%
Nursing Home Care	\$353	5.1%
Other Health, Residential, and Personal Care	\$387	5.6%
Total Per Capita Personal Health Care Services, Colorado	\$6,893	100%



U.S.: Distribution of Patients by Cost Category, 2014

	Percentage of Total Patients	Percentage of Total Costs
>\$100,000	0.05%	6.5%
\$50,000 - \$99,999	2.0%	43.3%
\$10,000 - \$49,999	1.80%	27.6%
\$5,000 - \$99,999	3.1%	17.8%
\$1,000 - \$4,999	15.6%	29.6%
<\$1,000	48.2%	9.3%
Non-Utilizers	31.1%	
Total	100.0%	100%

Source: Express Scripts



U.S. Spending Trends: Specialty vs. Traditional, 2014 and 2015

COMPONENTS OF TREND

2015

	PMPY SPEND	TREND		
		UTILIZATION	UNIT COST	TOTAL
Traditional	\$708.09	1.9%	-2.1%	-0.1%
Specialty	\$352.66	6.8%	11.0%	17.8%
TOTAL TREND	\$1,060.75	2.0%	3.2%	5.2%

January-December 2015 compared to same period in 2014, commercially insured.
Reflects total cost for both payers and patients.

Source: Express Scripts



*Potential
Recommendations*

A Range of Solutions

Cost Sharing

Transparency

Price Controls

Impact on Price



Cost Sharing: Federal and State Limits

- **ACA Cost Sharing Limits**
 - \$6,850 for an individual plan
 - \$13,700 for a family plan
- **State Limits**
 - Range from \$100 (CT) to \$250 (MT) per prescription per month supply
 - Annual limit of \$3,500 per drug (ME)



- **2015 Division of Insurance Bulletin**
 - Insurers advised coinsurance for prescriptions in no more than 75 percent of plans.
 - Copays limited to no more than 1/12th of plan's individual out-of-pocket max.



- Further limit monthly and annual out-of-pocket costs.
- Cap total monthly copayments.



Transparency

- What do we know about drug costs?

- High profit margins
- Ratio of marketing to revenue vs. R&D to revenue

- Cost Transparency Bills

- 2016
 - Massachusetts, New York, California, North Carolina, Pennsylvania, Oregon, Vermont
- Colorado: HB 16-1102



Price Controls

- Price Caps
 - Massachusetts and Pennsylvania
- Price Controls – What does the literature say?



- Super Pharmacy Benefit Management (PBM) with commercial payers
- Bulk purchasing at state level



Additional Ideas

- High-cost drug mortgages
- Liability insurance for carriers
- State tax pool to fund specialty drug costs
- Social impact bonds





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