Pharmaceutical Drugs:
Cost Control

July 11, 2016

Colorado Commission on Affordable Health Care

What is driving pharmaceutical spending?

Increases in utilization and price of pharmaceutical drugs, commercially insured population, 2015

	Utilization	Price/Unit	Total trend
Traditional	1.9%	-2.1%	-0.1%
Specialty	6.8%	11.0%	17.8%

SOURCE: Express Scripts

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	0.17%	9.2%
$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%

2.0%

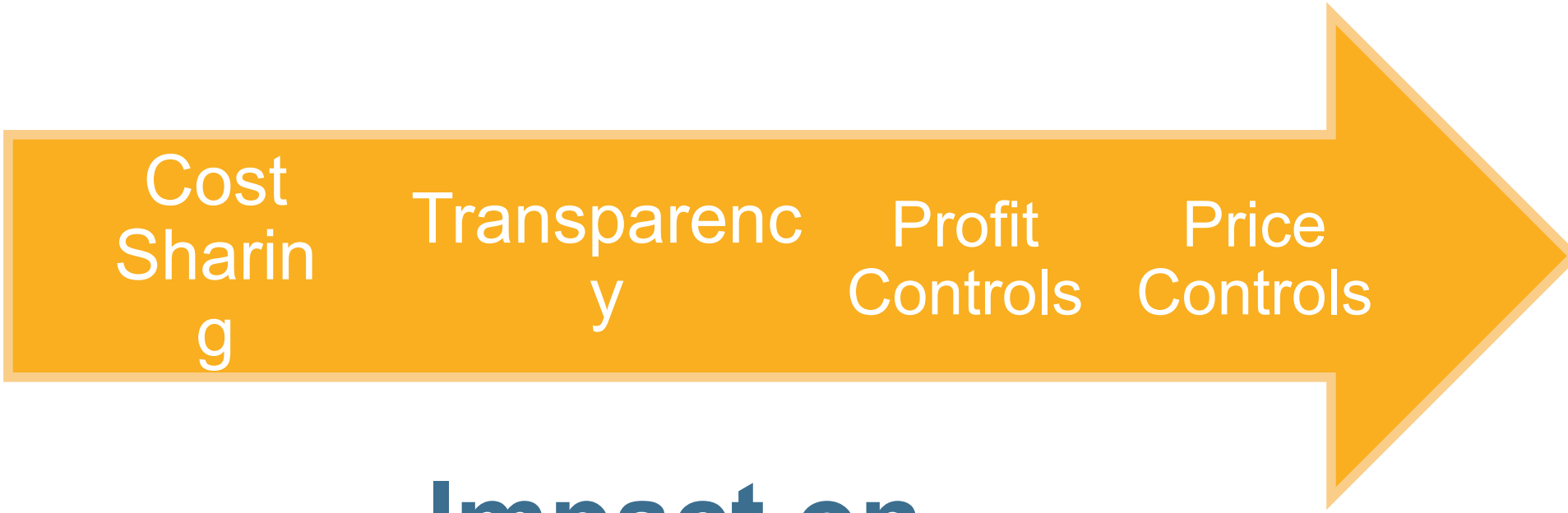
43.3%

Source: Express Scripts

Return on Investment of Pharmaceutical Drugs

- The fast-pays
- The slow-pays
- The diffuse-pays
- The no-pays

A Range of Solutions



Impact on Price

State scale and federal control

Scale matters

Entity	Population size/covered
State of Colorado	5.4 million population
United Health Care	46 million covered lives
Anthem	40 million covered lives
Aetna	23 million covered lives

Federal policies that limit pricing flexibility

- Patents and exclusivity of drugs
- Prohibition on Medicare negotiating prices
- Regulations on (re)-importation of drugs from other countries

Federal 340 B Program

Examples of 340 B Federally Designated Entities

- Federally Qualified Health Centers
- Ryan White HIV/AIDS grantees
- Critical Access Hospitals
- Disproportionate Share Hospitals
- Title X Family Planning Clinics

Limiting Pharmacy Profits (MLR)

Two phases

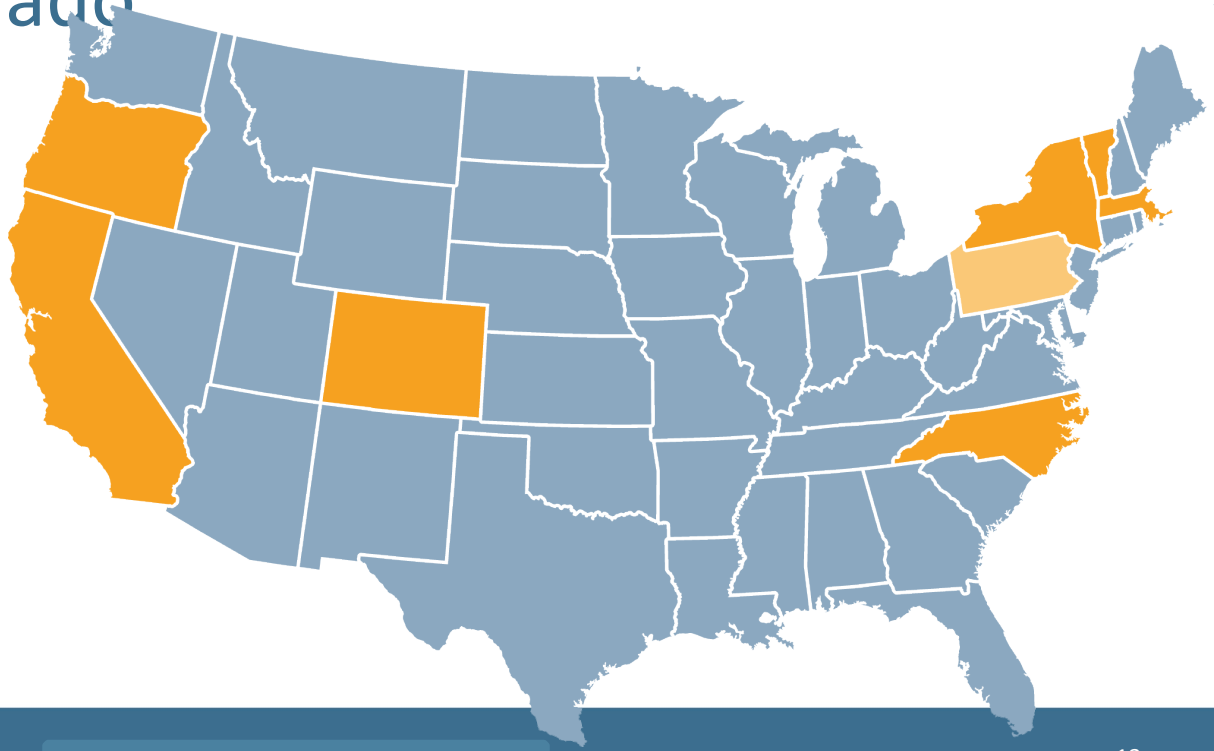
1. Obtain information on pharmacy costs
   - Research
   - Marketing
   - Production
   - Administration
   - Profits

2. Limit profits relative to costs

Been there, tried that

Phase 1: Massachusetts, New York, California, North Carolina, Pennsylvania, Oregon, Vermont, Colorado

Phase 2:
Pennsylvania



Questions to consider

What would be the regulatory entity?

What is the infrastructure needed?

Does Colorado have enough lives and leverage?

Summary of other options

- Reduce patient cost sharing
  - Does not address price. Carriers would increase premiums to spread costs.
- Require more transparency
  - Provides information needed in competitive markets, but barriers still remain for competition.

Summary of other options

- Purchase drugs in bulk
  - Could be effective for traditional drugs, but low frequency, specialty drugs are driving spending.
- Implement reinsurance program for drugs
  - Does not directly address price. But allows carriers and employers to spread risk.
- Implement price controls
  - Does Colorado have enough leverage?

colorado health
INSTITUTE

Amy Downs 720.382.7091 DownsA@coloradohealthinstitute.org