AUGUST 2021

CURBING HIGH DRUG COSTS

Federal Solutions to Out of Control Prescription Drug Prices

Every year, drug makers hike prices and, every year, policy makers skirt around concrete actions that truly impact drug prices. It's past time to hold drug makers accountable and implement real changes to curb high drug costs. ACHP proposes pragmatic, progressive reforms to rein in the price of prescription drugs, by drawing on the innovation of a competitive free market with appropriate government guardrails.

REDESIGN THE MEDICARE PART D BENEFIT

Seniors in the Medicare Part D prescription drug benefit have no out-of-pocket cap, even in the catastrophic phase — when out-of-pocket spending exceeds $6,550, not accounting for premiums. Because drug makers have no financial responsibility in the catastrophic phase, Medicare, health plans and seniors are left to finance the cost — which can extend to hundreds of thousands of dollars.

- Create an out-of-pocket cap for seniors in Part D and eliminate any consumer responsibility in the catastrophic phase.
- Require significant financial liability for drug companies throughout each phase of the Part D benefit.
- Provide health plans additional tools and flexibilities to negotiate lower drug prices, including removal of restrictions on drugs while maintaining robust coverage and offerings of those drugs.

ALLOW DIRECT GOVERNMENT NEGOTIATION FOR DRUGS WITHOUT COMPETITION

Unlike all other players in the health sector, drug companies are not subject to price oversight. Unlike the VA and state Medicaid programs, HHS is not able to leverage its buying power to secure competitive pricing. Medicare Part D's 250 top-selling prescription drugs with just one manufacturer or no generic or biosimilar competition accounted for 60 percent of net total Part D spending in 2019.

- Provide HHS limited authority to negotiate prices for the highest cost prescription drugs without competition.
- Extend price negotiation to the commercial market and prohibit drug makers from cost-shifting to non-Medicare consumers.
- Apply an International Pricing Index or reference pricing to set a maximum price no greater than 120 percent of the average international market price of the highest cost drugs without competition.

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CREATE INFLATIONARY CAPS FOR DRUG PRICE INCREASES

Most prescription drug prices increase significantly faster than the rate of inflation. In January 2021, the price of 735 drugs jumped, many by as much as 10 percent without justification.

- Require drug manufacturers to provide rebates for any price increase above the rate of inflation for Part B and D drugs.

INCREASE DRUG PRICING TRANSPARENCY

Unlike for payers and providers, there are no federal transparency requirements for drug companies. Drug companies are not required to justify product pricing, disclose planned increases or provide research and development costs.

- Enact drug pricing transparency rules that require drug manufacturers to report and justify price increases, including the FAIR Drug Pricing Act.

BROADEN USE OF TRANSPARENT, FEE-BASED PHARMACY BENEFIT MANAGERS

Transparent, fee-based pharmacy benefit managers (PBMs) pass on 100 percent of rebates and discounts from drug makers. Unlike traditional PBMs that lack transparency about how much rebate they keep — an approach that can encourage the use of higher cost drugs and increased list prices — transparent fee-based PBMs revenue source is a flat, administrative fee.

- Encourage and incentivize the adoption of transparent, fee-based PBMs.

EXPAND ADOPTION AND UTILIZATION OF BIOSIMILARS

Biosimilars have near-identical clinical properties to an existing, approved therapy, but cost less. Increased utilization of biosimilars has the potential to significantly lower spending on prescription drugs. The FDA has approved 29 biosimilar products but less than a dozen are available on the market today. Drug makers abuse the patent system to create insurmountable barriers that keep lower cost therapies and biosimilars out of the hands of consumers.

- Incentivize further adoption of biosimilar products through clinician and patient education.
- Increase biosimilar reimbursement to improve utilization.
- Empower the Federal Trade Commission to crack down on anticompetitive tactics that keep biosimilars from coming to the market.

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