Prescription Drug Cost Transparency

18 V.S.A. § 4635

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18 V.S.A. § 4635 (Prescription Drug Cost Transparency)

- Law became effective in 2016 and was subsequently amended
- Requires annual reporting by DVHA and insurers with more than 5000 covered lives in Vermont
- DVHA and the insurers must identify prescription drugs for which the cost has increased by 50 percent or more over the past 5 years or by 15 percent or more over the previous calendar year ….“creating a substantial public interest in understanding the development of the drugs' pricing.”

Drugs on which State(DVHA) spends “significant health care dollars”

Select 10 drugs based on increased WAC (18 V.S.A. § 4635 (b)(1)(A))

- State whether each drug was selected based on increase of 50%, 15% or both
- Rank the drugs from those with the largest to smallest WAC increase
- Include at least one generic and one brand name drug
- Identify drugs it considers to be specialty drugs
- Provide total expenditure for each drug
- Provide percentage increase for each drug

Select 10 drugs based on increased net cost (18 V.S.A. § 4635 (b)(1)(B))

- State whether each drug was selected based on increase of 50%, 15% or both
- Rank the drugs from those with the largest to smallest net cost increase
- Include at least one generic and one brand name drug
- Identify drugs it considers to be specialty drugs
- Because federal law prohibits DVHA from providing drug-specific net cost information, it provides the gross cost

Drugs on which insurers spend “significant amounts of their premium dollars” (18 V.S.A. §4635(c)(1))

Insurers each select 10 drugs based on the increased net cost to the plan

- State whether each drug was selected based on net cost increase of 50%, 15% or both
- Rank the drugs from those with the largest to smallest net increase
- Include at least one generic and one brand name drug
- Identify any drugs it considers to be specialty drugs

Provide the AGO with additional non-public information that remains confidential

- Percentage by which the net cost of the drug increased
- Insurer’s net cost for each drug

Public Disclosure of Information

- AGO and GMCB required to post DVHA and insurer lists on their websites

https://ago.vermont.gov/drug-price-transparency-manufacturer-and-health-insurer-annual-reporting/

- AGO provides a report to the Legislature based on the information received from DVHA, the insurers, and information collected from the manufacturers

DVHA's Observations

DVHA's drug selection methodology (Ex. C) made observations about WAC prices over 4 years (2016-2019) which include:

64% decline in the total number of drugs reaching the 15% per year threshold, and 78% decline in the total number of drugs reaching the 50% per 5-year threshold

Prices rose on fewer drugs but at a higher rate (a 64% decline in the total number of drugs reaching the 15% per year threshold, and a 78% decline in the total number of drugs reaching the 50% per 5-year threshold)

- Percentage of generics drugs reaching 15% per year threshold increased from 35.2% to 83.4%
- Percentage of brand drugs reaching 15% per year threshold declined from 64.8% to 16.6%
- Brand drug price increase averages rose from 22.3% to 32.2% and generics increased from 132% to 176%
- Average dollar increase in generic prices has declined from an average of $1.98 to $0.68 which, along with the other trends, indicates that lower priced generics are experiencing sharper price increases than higher priced generics.

Insurance Companies

Their data shows:

Generic Drugs

BCBSVT and MVP each selected one generic drug for inclusion on their list (as required)

- The one-year generic net price increases were 252% and 114.1%, respectively, but the net cost increase in dollars was smaller than the brand drugs

Brand Name Drugs

- BCBSVT's brand name drug increases ranged from 43.6 % to 347.7%
- MVP's brand name drug increases ranged from 17.7% to 385%.

Manufacturers Cite Several Factors That Impact Their Pricing Decisions

In no specific order:

- value of innovative medicines;
- cost effectiveness (meaning the economic value to patients given the effectiveness of the drug, compared to other drugs in the same class);
- size of the patient population for the drug;
- investments made (including in research and development) and risks undertaken;
- return on investment;
- fiduciary responsibilities;
- post-marketing regulatory commitments and ongoing pharmacovigilance (safety surveillance);
- creation and maintenance of manufacturing facilities and capabilities, including the ability to address drug shortages caused by production issues;
- cost of ingredients;
- competition, including for drugs in the same class;
- the rate of inflation; and
- percentage of sales in commercial versus Medicare or other government channels, and the funds expended on assistance programs for people with limited resources or without insurance which, in some measure, offset drug sales income.

AGO's 2020 Report for CY 2019-Observations

- For purposes of consistency, and to allow the AGO to maximize the comparison across payors, DVHA and the insurers developed their 2019 lists based on a one-year increase of 15% or more
  - **DVHA's WAC and net cost lists had no drugs in common**
  - **One drug common to DVHA and BCBSVT net cost lists (Stelara)**
  - **One drug common to BCBSVT and MVP net cost lists, albeit with different NDC codes (Humira pen)**
  - **Stelara and Humira are specialty drugs**

- Specialty drugs tend to be the most expensive

- Generic drug prices

- Generic drugs are generally less costly than brand drugs so the same YOY increase in percentage will not translate into a comparable dollar increase
  - Single generic drug on DVHA net cost list had lowest WAC spend of drugs on the list but had a 74.05% net price increase over previous CY

https://ago.vermont.gov/wp-content/uploads/2021/01/2020-12-30-AGO-Report-on-Prescription-Drug-Cost-Transparency.pdf

Takeaways

- Drug pricing is very complex

https://www.amcp.org/sites/default/files/2019-03/AMCP%20Guide%20to%20Pharmaceutical%20Payment%20Methods,%202009%20Update%20(Version%202.0).pdf

- Prices for DVHA versus other payers can be very different
- Generic drugs appear to be increasing at a higher rate than brand drugs
- Manufacturer rebates and price concessions and fees collected by PBMs greatly impact payer cost
- Patients' out-of-pocket costs vary widely, driven by whether and what insurance they have