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Prescription drug costs on the rise

Amidst a worldwide pandemic, prescription drug prices continue to rise. According to Reuters, at the beginning of 2021, about 70 companies increased the price of “hundreds of prescription drugs by an average of 3.3%”. This is a volume increase of nearly 50% from 2020, for both branded and generic medications. In fact, Pfizer raised the price of more than 60 drugs, including top selling rheumatoid arthritis medication, Xeljanz, and Ibrance, the #1 prescribed, FDA-approved oral combination treatment for HR+, HER2- metastatic breast cancer. Many manufacturers seem to feel that the small increases in list prices are not affecting patients after insurance, rebates, and other discounts; however, not all patients have access to these savings. Patients who are uninsured, underinsured, and/or on Medicare are still paying the majority of a drug’s list price.

As out-of-pocket costs for these patients increase, some are not taking their medications to avoid the expense. Dr. Marcus Snow, rheumatologist and spokesperson for the American College of Rheumatology says, “Very few Part D patients can afford the [injectable drugs] because the copay can be so steep”.

A survey by *Politico* and Harvard University from January 2021 reported 87% of Americans favoring “federal action to lower drug prices.” It is the public’s second highest policy priority behind Coronavirus relief. While no definitive progress has been made regarding this subject on the federal level, several states have begun instituting their own legislation.

Current legislation

According to the American Diabetes Association, as of April 21, 2021, sixteen states - Alabama, Colorado, Connecticut, Delaware, Illinois, Kentucky, Maine, Minnesota, New Hampshire, New Mexico, New York, Utah, Vermont, Virginia, Washington, West Virginia and Washington D.C. - have passed laws capping insulin copays. Colorado became the first state to do so in 2019, and Alabama was the most recent to do so in April 2021. Most of the laws have a \$25-\$100 cap for a 30-day supply of insulin, though some also apply to other medications, supplies, and devices. For instance, Connecticut has a \$25 cap on a 30-day supply of insulin or other diabetes medications, but a \$100 cap on a 30-day supply of devices and diabetic supplies. Minnesota also has a unique offer in that there is a \$35 cap once per year for an emergency 30-day supply, though otherwise a \$50 cap for a 90-day supply. In all the aforementioned states, the copay caps apply per prescription. If a patient requires multiple insulins each month, they must pay separate copays.



Current legislation *(continued)*

It is important to note that these laws do not apply to all state residents. States can only regulate insurance plans offered by state governments, including Medicare and Medicaid, that provide health coverage to specific groups such as children, pregnant women, seniors, individuals with disabilities, and low-income adults. The laws do not apply to those without insurance or those with private insurance.

What's to come

Some states are planning to address rising drug costs in other ways with much legislation still in the works. As reported by the Kaiser Family Foundation (KFF), “legislators in Hawaii, Maine and Washington recently introduced bills, based on one of NASHP’s (National Academy for State Health Policy) models, that would impose an 80% tax on the drug price increases that ICER [an independent drug research group] determines in its annual report are not supported by evidence of improved clinical value.” The tax revenue will fund programs that help patients afford their medications. Additionally, “lawmakers in Hawaii, Maine, North Dakota, Oklahoma and Rhode Island have filed bills that would set the rates paid by state-run and commercial health plans — excluding Medicaid — for up to 250 of the costliest drugs to rates paid by the four most populous Canadian provinces. That could reduce prices by an average of 75%, according to NASHP.” Several other states are also considering similar plans.

Governor Charlie Baker of Massachusetts has proposed a penalty for drug companies overly increasing their prices. The proposal requires manufacturers to pay a penalty of 80% of the excess cost if the price of a drug goes up by more than the consumer price index plus 2% in one year. Governor Baker projects that the penalty will turn out \$70 million in tax revenue in its first year.

On the federal level, the United States House of Representatives reintroduced H.R. 3, the Elijah E. Cummings Lower Drug Costs Now Act on April 22, 2021. The bill summary states, “This bill establishes several programs and requirements relating to the prices of prescription drugs. In particular, the bill requires the Department of Health and Human Services (HHS) to negotiate prices for certain drugs (current law prohibits HHS from doing so). Specifically, HHS must negotiate maximum prices for single-source, brand-name drugs that lack certain generics and that are among either the 125 drugs that account for the greatest national spending or the 125 drugs that account for the greatest Medicare spending.” Also, “The negotiated maximum price may not exceed (1) 120% of the average price in Australia, Canada, France, Germany, Japan, and the United Kingdom; or (2) if such information is not available, 85% of the U.S. average manufacturer price.”

Much of the upcoming legislation on prescription drug costs is related to the controversy between U.S. drug prices and drug prices in other developed countries. In 2018, prescription drug costs averaged “2.56 times higher than prices in 32 other developed countries, while brand-name drug prices averaged 3.44 times higher.” Not to mention that Humira, the world’s #1 best-selling drug, is four to five times more expensive in the United States than it is in Europe. In 2018, AbbVie, which makes Humira, cut the price of Humira in Europe by 80% to match the price of biosimilar products available. In the U.S., AbbVie has patents blocking the manufacturing of any biosimilar drugs.

While Coronavirus relief took priority throughout the last year, expect state and federal responses to the rise in prescription drug costs to take the stage in 2022.

Resources

<https://www.biospace.com/article/drug-companies-raise-prices-on-hundreds-of-medications/#:~:text=As%20the%20sun%20rose%20on,2019%2C%20according%20to%20an%20analysis>

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<https://www.congress.gov/bill/117th-congress/house-bill/3>

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