

A view of the drug pricing blueprint

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Bonnie Greenwood, PharmD, BCPS
Director, Clinical Programs, Clinical Pharmacy Services



Drug spend is predicted to experience the fastest annual growth between 2017-2026 compared to other health care goods and services.¹ Contributing factors include increasing unit prices of branded and generic medications, growth of the specialty drug market, and greater numbers of people with access to prescription drug coverage. A recent analysis estimates total drug expenditures in 2016 to be \$480 billion when accounting for gross profits of intermediaries in the distribution chain, such as wholesalers, pharmacy benefit managers (PBMs), and pharmacies.² Certainly, the complexity of the drug distribution and reimbursement system and lack of pricing transparency can be viewed both as symptoms of and barriers to solving this issue.

While stakeholders have been undertaking efforts to understand and address the issue of drug prices for some time, the Trump Administration and Department of Health and Human Services (HHS) drew a line in the sand by developing a blueprint that highlights potential strategies and engages the health care community in the process. Released in May 2018, *American Patients First: The Trump Administration Blueprint to Lower Drug Prices and Reduce Out-Of-Pocket Costs* provides a view of the national drug pricing issues, outlines strategies recommended by the administration, and ends with a list of questions to be weighed in on by the industry and public.³

The blueprint frames recommended strategies by highlighting four primary challenges of the drug pricing issue: high list prices for drugs, seniors and government programs overpaying for drugs due to the lack of the latest negotiation tools, high and rising out-of-pocket costs for consumers, and foreign governments free-riding off American investment in innovation. A corresponding set of strategies was proposed to address the challenges: improved competition, better negotiation, incentive for lower list prices, and lowering out-of-pocket costs. The document wraps up by posing over 100 questions about additional options that are under consideration – for example, does the Best Price reporting requirement of the Medicaid Drug Rebate Program pose a barrier to price negotiation and certain value-based agreements in other markets, or otherwise shift costs to other markets? It's clear from these questions that outside of the box strategies are not off the table, including for the Medicaid program.

As might be expected, the initial response was mixed. Some thought the blueprint did not go far enough while others were concerned that it posed more questions than answers. Others have advocated a wait-and-see approach. And while public awareness of the blueprint was low (only 27% of Americans were aware of it two months after it was published), 40% of those who were aware of it believe it will lower what they pay for prescription drugs.⁴ Responses during HHS' public comment period were robust with multiple organizations weighing in, including the Medicaid and CHIP Payment and Access Commission (MACPAC), Academy of Managed Care Pharmacy (AMCP), Pharmaceutical Research and Manufacturers of America (PhRMA), and America's Health Insurance Plans (AHIP), among others.

While the blueprint released in May 2018 may have provided more questions than answers, it builds upon existing momentum and hones attention to the topic. The proposed strategies are actively being addressed at the federal level through committee review, clarity of regulations, and legislation. There are also several ongoing efforts at the state level as well as on behalf of drug manufacturers, pharmacies, payers, and PBMs.

Over the course of the next four months, pharmacists from UMass Medical School will address each strategy in turn, highlighting progress to date, in a series of blogs. Come back in October to read our take on the impact of increased competition on drug prices.

¹Cuckler GA, Sisko AM, Posal JA, et al. National Health Expenditure projections, 2017-26: Despite uncertainty, fundamentals primarily drive spending growth. *Health Affairs* 2018;37(3):482-92

²Yu NL, Atteberry P, Bach PB. Spending on prescription drugs in the US: Where does all the money go? Health Affairs Blog. 31 July 2018. Available at:
<https://www.healthaffairs.org/doi/10.1377/hblog20180726.670593/full/>

³Department of Health and Human Services. American Patients First: The Trump Administration Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs. May 2018. Available at:
<https://www.hhs.gov/sites/default/files/AmericanPatientsFirst.pdf>

⁴Owermohle S, Karlin-Smith S. Poll: Trump's price-lowering blueprint falls flat. Available at:
<https://www.politico.com/newsletters/prescription-pulse/2018/07/23/poll-trumps-price-lowering-blueprint-falls-flat-293450>