Data to Drive Decisions: Curbing Prescription Drug Costs in Colorado

February 17, 2022
Agenda

- Prescription drug costs and drug rebates in Colorado
- Prescription Drug Affordability Review Board Overview and charge
- Questions/Feedback from Participants
- Housekeeping: Session is being recorded, questions via the chat box
Presenters

Kristin Paulson, MPH, JD
CIVHC Chief Operating Officer

Lila Cummings, MHS, PMP
DOI Prescription Drug Affordability Board, Director

Callie Shelton, MSW
DOI Prescription Drug Affordability Board, Policy Analyst
Our Mission

We strive to empower individuals, communities, and organizations through collaborative support services and health care information to advance the Triple Aim: Better Health, Better Care, Lower Cost

We are:

• Non-profit
• Independent
• Objective
Who We Serve

Change Agents

Individuals, communities, or organizations working to lower costs, improve care, and make Colorado healthier.
What’s in the CO APCD?

How We Inform

Public CO APCD Data
Identify opportunities for improvement and to advance health care through public reports and publications

Non-Public CO APCD Data
Datasets and reports to address specific project needs aimed at better health, better care and lower costs
Impact of Prescription Drugs on Health Care Spending

In 2019, $4 Billion, or nearly 20% of Total Health Care Spending was spent on Prescription Drugs.

Colorado All Payer Claims Database, 2019 data, All Payers. Data does not account for any drug rebates or concessions.
Prescription Drugs Costs Rising the Fastest

Source: Community Dashboard (CO APCD, civhc.org)

From 2013-2019, across all payers, costs rose most significantly for prescription drugs.

Pharmacy data does not account for any drug rebates or concessions.
Pharmacy costs do not account for any drug rebates or concessions.
Rural/Urban Pharmacy Cost Divide

Source: Community Dashboard (CO APCD, civhc.org)

Rural counties spend more per person per year on pharmacy costs

(CO APCD, All Payers, Health Plan/Patient Combined, 2013 vs. 2019)

Pharmacy costs do not account for any drug rebates or concessions.
Specialty drugs represent only 1% of the total volume of prescription drugs, yet they represent almost 40% of total spending. 

CO APCD pharmacy claims, All Payers, 2019. Does not include drug rebate or concessions.
Prescription Drug Rebates in Colorado

What is a drug rebate?

- Drug manufacturers set prices and sell drugs to wholesalers which then sell them to retail outlets (local pharmacy)
- Rebate is a return of part of the purchase price by the buyer to the seller
  - Typically negotiated between the seller and payer (Insurer or PBM)
Prescription Drug Rebates in Colorado
How much comes back to health insurers?

In 2019, across all payers, health insurers received 27% back in the form of rebates.

**Spending Overview, 2019**
*Note: All spending displayed is pharmacy spending which only includes drugs dispensed at a pharmacy and does not include physician-administered drugs in hospitals or other medical settings.*

- **$4.4B** Total Spending
- **$3.2B** Total Spending with Rebates
- **27.3%** % Rebates of Total Spending

Commercial plans received approximately 15% back in the form of rebates.

**Spending Overview, 2019**
*Note: All spending displayed is pharmacy spending which only includes drugs dispensed at a pharmacy and does not include physician-administered drugs in hospitals or other medical settings.*

- **$1.2B** Total Spending
- **$1.0B** Total Spending with Rebates
- **14.6%** % Rebates of Total Spending
Prescription Drug Rebates

Rebates as a percent of total pharmacy spending continue to increase for brand and specialty drugs.
Prescription Drug Rebates in Colorado
Potentially incentivizing high priced specialty drugs

Rebates for specialty drugs rose 41% between 2017 and 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Spending</th>
<th>Total Rebates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$1,431,888,100</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>$1,635,997,300</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$1,780,415,600</td>
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</tr>
<tr>
<td>2017</td>
<td>$290,283,500</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>$391,227,900</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$488,815,600</td>
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</tbody>
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+24.3%      +40.8%
Changes to CO APCD Data Submission Guide
Annual file submission for the Prescription Drug Affordability Review Board

• Creating a file to enable **data collection** to satisfy requirements related to C.R.S 10-16-1405.
• Rule hearing was February 4th, 2022. New files will be submitted starting September 2022.
• Will include a 3-year look back (2019, 2020, 2021)
New PDAB Drug Rebate Data Collection

• The **fifteen prescription drugs** that:
  • Caused the greatest increases in the payer's premiums
  • The payer paid most frequently and for which the payer received a rebate from manufacturers
  • The payer received the highest rebates, as determined by percentages of the price of the prescription drug
  • The payer received the largest rebates
Prescription Drug Affordability Board

Lila Cummings, Prescription Drug Affordability Director
Callie Shelton, Prescription Drug Affordability Analyst
Agenda

- Prescription Drug Affordability Board (PDAB) Overview
- Prescription Drug Affordability Advisory Council (PDAAC) Overview
- CIVHC & PDAB: Using APCD Data to Support the Work of PDAB
  - Transparency
  - Affordability Review
  - Upper Payment Limit
- Q & A
- Upcoming Events
The Prescription Drug Affordability Board (PDAB or Board) was created, along with the Prescription Drug Affordability Advisory Council (PDAAC or Advisory Council), by Senate Bill 2021-175.

5 Member Board
- Experience and/or expertise in clinical medicine or health care economics

Type 1 Board with rulemaking authority
- Within the Division of Insurance
- Meets every 6 weeks
The Governor appointed the following PDAB Members on Sept. 27, 2021:

Gail Mizner, MD, FAACP, AAHIVS from Snowmass Village - Board Chair

Sami Diab, MD from Greenwood Village

Amarylis “Amy” Gutierrez, PharmD from Aurora

Catherine Harshbarger from Holyoke

James Justin VandenBerg, PharmD, BCPS from Denver
Collect and evaluate data on the cost of prescription drugs for Colorado consumers

Perform affordability reviews when a drug meets certain triggers outlined in statute

May set upper payment limit (UPL) on drugs the Board has deemed unaffordable
*Maximum of 12/year for the first 3 years

Make policy recommendations to the General Assembly

Beginning July 2023, report annually to the Governor and General Assembly about drug prices, Board activity, and impacts on providers and pharmacies
The Advisory Council is a Type 2 Board

- Meets at least quarterly
- May meet privately in groups of three or fewer members for the following purposes, so long as no formal action is taken at the meeting:
  - To gather and understand data; or
  - To establish, organize, and plan for the business of the Advisory Council.
### PDAAC Overview - Advisory Council Members

The Prescription Drug Affordability Advisory Council consists of 15 members:

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
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<tbody>
<tr>
<td>Kim Bimestefer</td>
<td>HCPF Executive Director</td>
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<tr>
<td>Sabrina Walker</td>
<td>Healthcare Consumers</td>
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<tr>
<td>Gail DeVore</td>
<td>Healthcare Consumers</td>
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<tr>
<td>Edward Dauer</td>
<td>Consumer Advocacy Organization</td>
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<tr>
<td>Kimberley Jackson</td>
<td>Consumers with Chronic Diseases</td>
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<tr>
<td>Maria Fenwick</td>
<td>Labor Union</td>
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<tr>
<td>Nathan Wilkes</td>
<td>Employers</td>
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<tr>
<td>Chad Friday</td>
<td>Carriers</td>
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<tr>
<td>Marc Reece</td>
<td>Pharmacy Benefit Managers</td>
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<tr>
<td>Thomas Tobin</td>
<td>Prescribers</td>
</tr>
<tr>
<td>Brett McQueen</td>
<td>Research Organization</td>
</tr>
<tr>
<td>Katelin Lucariello</td>
<td>Brand-Name Manufacturer</td>
</tr>
<tr>
<td>Neal Miller</td>
<td>Generic Manufacturer</td>
</tr>
<tr>
<td>Andrew Gonzales</td>
<td>Pharmacist</td>
</tr>
<tr>
<td>Jason Atlas</td>
<td>Wholesalers</td>
</tr>
</tbody>
</table>

*HCPF*: Health Care Policy Fund
*Carriers*: Insurance Companies
*Pharmacy Benefit Managers*: Pharmacy Benefit Managers
*Prescribers*: Prescribers
*Wholesalers*: Wholesale Drug Distributors
Advisory Council members must have expertise across several subject matter areas. Current Advisory Council expertise consists of:

- Pharmaceutical business model (8 members)
- Supply chain business model (6 members)
- Practice of medicine/clinical training (5 members)
- Health care consumer & patient perspectives (12 members)
- Health care cost trends & drivers (12 members)
- Clinical & health services research (12 members)
- Colorado’s health care marketplace (9 members)
The Advisory Council provides strategic recommendations, information, materials, and/or analysis necessary for the Board to have sufficient information to make more informed decisions.

Two main Advisory Council roles are outlined in statute, which are to provide:

- Stakeholder input to the Board regarding the affordability of prescription drugs (10-16-1409(1)(a) C.R.S.); and
- Input regarding specific prescription drugs when the Board is selecting drugs for affordability reviews (10-16-1406(2)(c) C.R.S.).
CIVHC & PDAB

Using Colorado APCD data to support the work of PDAB
PDAB Data

There are three main areas that have potential data needs in statute:

- Carrier & PBM transparency reporting (outlined in 10-16-1405 C.R.S.)
- PDAB work includes:
  - Affordability review processes (outlined in 10-16-1406 C.R.S.)
  - Upper payment limit processes (outlined in 10-16-1407 C.R.S.)
10-16-1495 CRS outlines that, beginning in 2022, each carrier and pharmacy benefit management firm (PBM) acting on behalf of a carrier must report certain information to the APCD. For all prescription drugs dispensed at a pharmacy in Colorado and paid for by a carrier - including **brand name** drugs, authorized **generic** drugs, **biological** products, and **biosimilar** drugs - carriers and PBMs must report information regarding:

- **Top 15 Prescription Drugs**
- **Total Spending**
Carrier & PBM Transparency Reporting

Each carrier and PBM acting on behalf of a carrier must report the top 15 prescription drugs in each of the following 7 categories:

- **By Volume** (calculated by unit)
- **Costliest drugs** (determined by total annual spend)
- That accounted for the **highest increase in total plan spend**
- That caused the **greatest increase in premiums**
- The carrier paid most **frequently** and received a rebate
- The carrier received the **highest rebates**
- The carrier received the **largest rebates**
Each carrier and PBM acting on behalf of a carrier must report total spending for prescription drugs in each of the following 8 categories:

- Brand name drugs, purchased from:
  - Retail Pharmacies
  - Mail Order Pharmacies
- Authorized generic drugs, purchased from:
  - Retail Pharmacies
  - Mail Order Pharmacies
- Drugs dispensed by a practitioner
  - Retail Pharmacies
  - Mail Order Pharmacies
- Drugs administered in an inpatient hospital setting
- Drugs administered in an outpatient hospital setting

And total spend for all drugs described above paid for by a carrier in individual, small employer, and large employer market sectors.
## PDAB Work - Overview

### Board Duties - Procedural

- Promulgate rules to establish methodologies and processes
- Establish Board policies and norms
- Establish engagement style and scope with Advisory Council, stakeholders

### Board Duties - Substantive

- Conduct prescription drug affordability review program work:
  - Collect and evaluate data
  - Conduct affordability review work
  - Conduct upper payment limit work
  - Make policy recommendations (including reports)
- Engage with Advisory Council and stakeholders
- Monitor and revise work, rules as needed
PDAB Work - Overview

1. Identify drugs for affordability review
2. Select drugs for affordability review
3. Conduct affordability review
4. Determine unaffordable drugs
5. Establish Upper Payment Limit (UPL)
6. Notify consumers of decision to establish UPL
7. Inquire whether manufacturers intend to make drug available in CO
8. UPL Effective Date begins
9. Payment for specified drug cannot exceed UPL
10. Consumers access specified drugs at lower cost

These process map is not exhaustive.
Certain prescription drugs may be identified for an affordability review, depending on the prescription drug’s Wholesale Acquisition Cost (WAC):

**Brand Name Drug or Biological Product**
- Initial WAC $\geq$ $30K for a 12-month supply or course of treatment
- Increase in WAC $\geq$ 10% in the preceding 12 months or course of treatment

**Biosimilar Product**
- Initial WAC not at least 15% lower than its corresponding biological product

**Generic Drug**
- Increase in WAC $\geq$ 200% during the preceding 12 months & WAC $\geq$ $100 for:
  - 30-day supply
  - Supply that lasts less than 30 days
  - One dose of the generic drug if the FDA does not recommend a finite dose
After identifying drugs for review, the Board will determine whether to conduct an affordability review for each identified drug.

- Evaluating the class of the drug and whether there are therapeutically equivalent drugs for sale.
- Evaluating aggregated data.
- Seeking and considering input from the PDAAC about the prescription drug.
- Considering the average patient’s out of pocket cost for the drug.
Affordability Review - Conducting Reviews

In performing an affordability review, to the extent practicable, the Board shall consider:

- WAC
- Cost/availability of therapeutic alternatives
- Impact on safety net providers
- Effect of price on CO consumer’s access to the drug
- Orphan drug status
- Patient copay and cost sharing
- Financial effects on health, medical, social services

Input from:
- Patients and caregivers
- Individuals with relevant scientific or medical training

Any other information a manufacturer, carrier, PBM, or other entity chooses to provide.
The Board must promulgate by rule the methodology for establishing a UPL to protect consumers from the excessive cost of prescription drugs and ensure they can access necessary prescription drugs. The methodology:

**Upper Payment Limit Methodology**

<table>
<thead>
<tr>
<th>Must consider</th>
<th>May not consider</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Administration/dispensing fees</td>
<td>• Research or methods that employ a dollars-per-quality adjusted life year (QALY), or similar measure that discounts the value of life because of an individual’s disability or age</td>
</tr>
<tr>
<td>• Cost of distributing the drug to CO consumers</td>
<td></td>
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<tr>
<td>• Status of the drug on the FDA drug shortage list</td>
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<tr>
<td>• Other relevant costs associated with the drug</td>
<td></td>
</tr>
<tr>
<td>• The impact to older adults and people with disabilities</td>
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</tbody>
</table>
Upcoming Meetings:

PDAAC: **Friday, Feb. 18 at 9am**

PDAB: **Friday, March 11 at 10am**

For meeting minutes, agendas, and general information about PDAB, visit

https://doi.colorado.gov/insurance-products/health-insurance/prescription-drug-affordability-review-board

Questions about the Prescription Drug Affordability Board and Advisory Council can be sent to dora_ins_pdab@state.co.us.
Questions and Feedback

Reach out to info@civhc.org

Connect with CIVHC on Facebook, LinkedIn, and Twitter

Recording will be posted here: www.civhc.org/about-civhc/news-and-events/event-resources/
Upcoming Webinars

March 31st, 12-1MT
Impact of Insurance Churn on Young Adults with Schizophrenia, Janssen Scientific