

The background of the slide features a blue-tinted molecular structure with various spheres and connecting lines, creating a scientific or technological aesthetic.

State Legislative Overview: Colorado 2018

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Overview

- 2018 State Legislative Session: Pharmaceutical Manufacturer Transparency Legislation
- The Pharmaceutical Supply Chain
- Policies to Improve Patient Prescription Drug Affordability

Advance Notification of List Price Increases

ADVANCE PRICE NOTIFICATION

Provides No Tangible Benefit to
Patients or Government Payers

Could Incentivize Speculative Purchasing
between Distributor and Dispensers — Leading
to Stockpiling and Shortages

Advance Notification of List Price Increases

Advance Price Notification Will Not Save Money for Consumers or Government Payers

These policies would provide minimal to no benefit to patients and increase the administrative burden on state agencies responsible for enforcement.



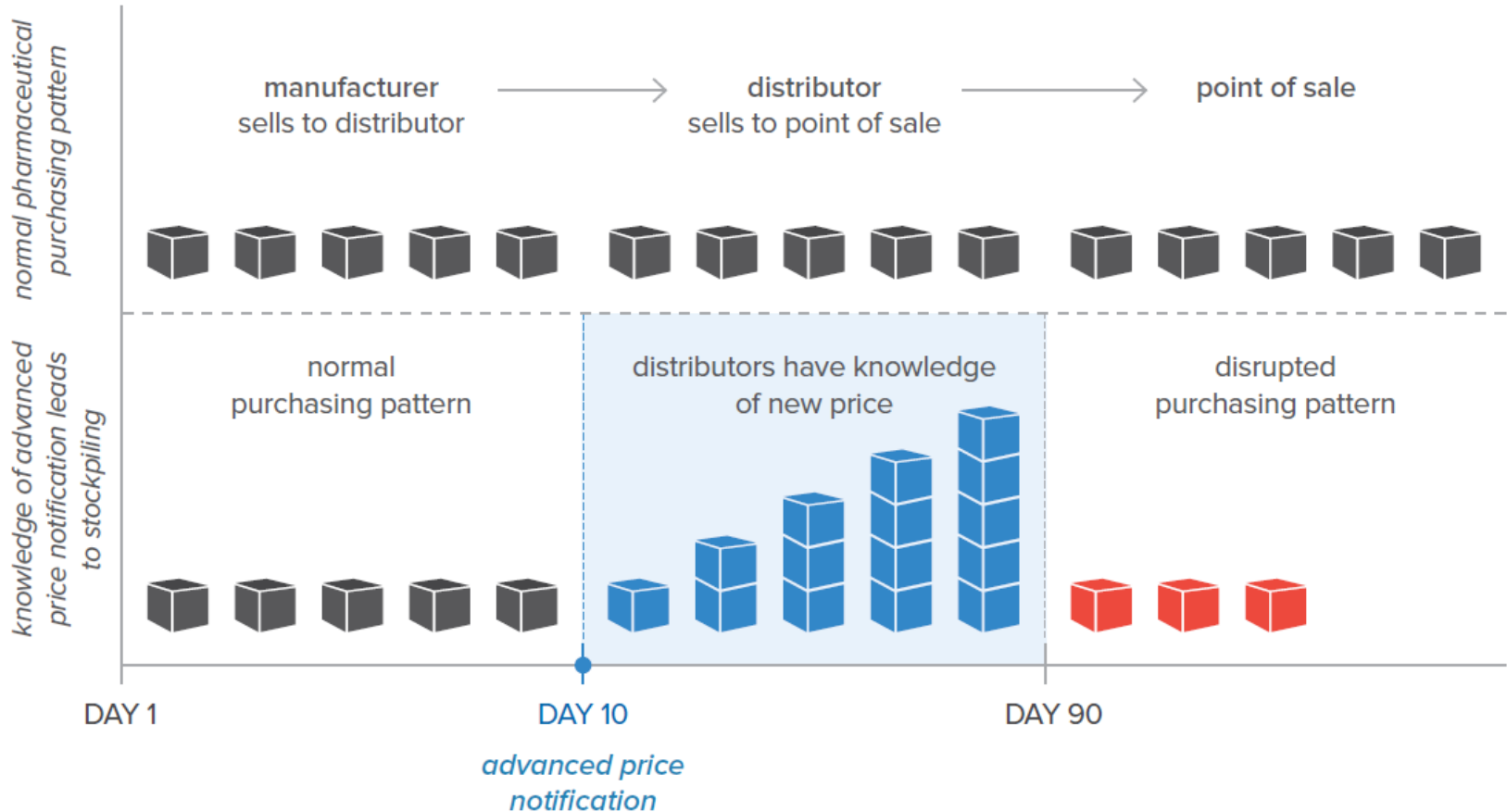
Patients: A patient's out of pocket cost for a medicine is determined by insurance benefit design; therefore, mandatory price reporting of a medicine's list price (i.e. Wholesale Acquisition Cost) has little bearing on what customers actually pay for a medicine.



Government Payers: State and federal agencies would need to contend with the administrative burdens of constant price revisions and would not realize any benefits from speculative purchasing.

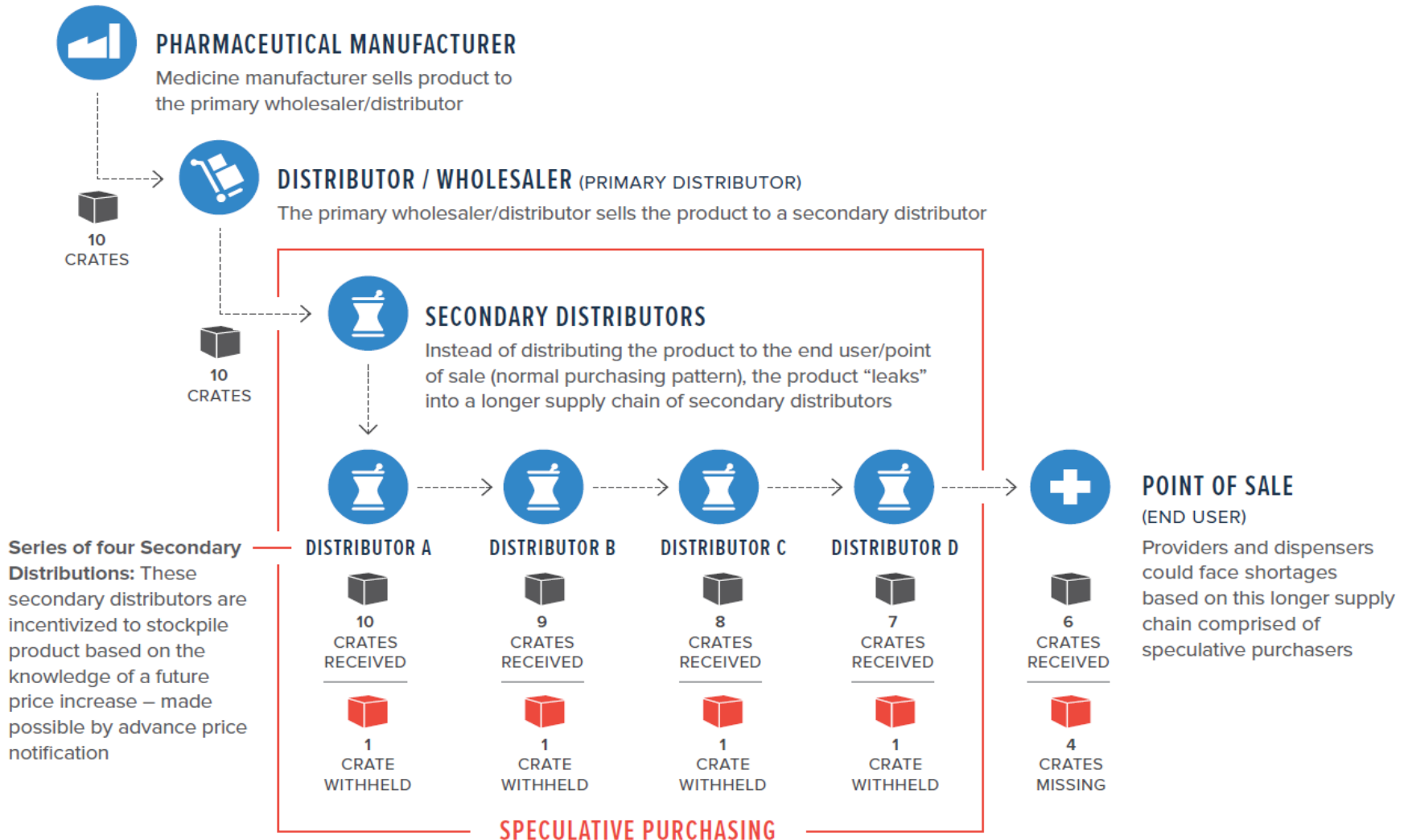
Advance Notification of List Price Increases

HOW SECONDARY DISTRIBUTORS PROFIT FROM ADVANCE PRICE NOTIFICATION



Advance Notification of List Price Increases

HOW SPECULATIVE PURCHASING CREATES A MEDICINE SHORTAGE



CO HB 18-1009: Diabetes Drug Pricing Transparency Act

- **Proposals to mandate disclosure of proprietary information by biopharmaceutical companies would neither benefit patients nor decrease their healthcare costs.**
- **“List Prices” are often what is mentioned in the media, however list prices for insulin do not reflect the substantial discounts and rebates negotiated by payers, but not often passed on to patients.**
- **Accounting for these discounts and rebates, net prices for insulin have been flat or declining in recent years**

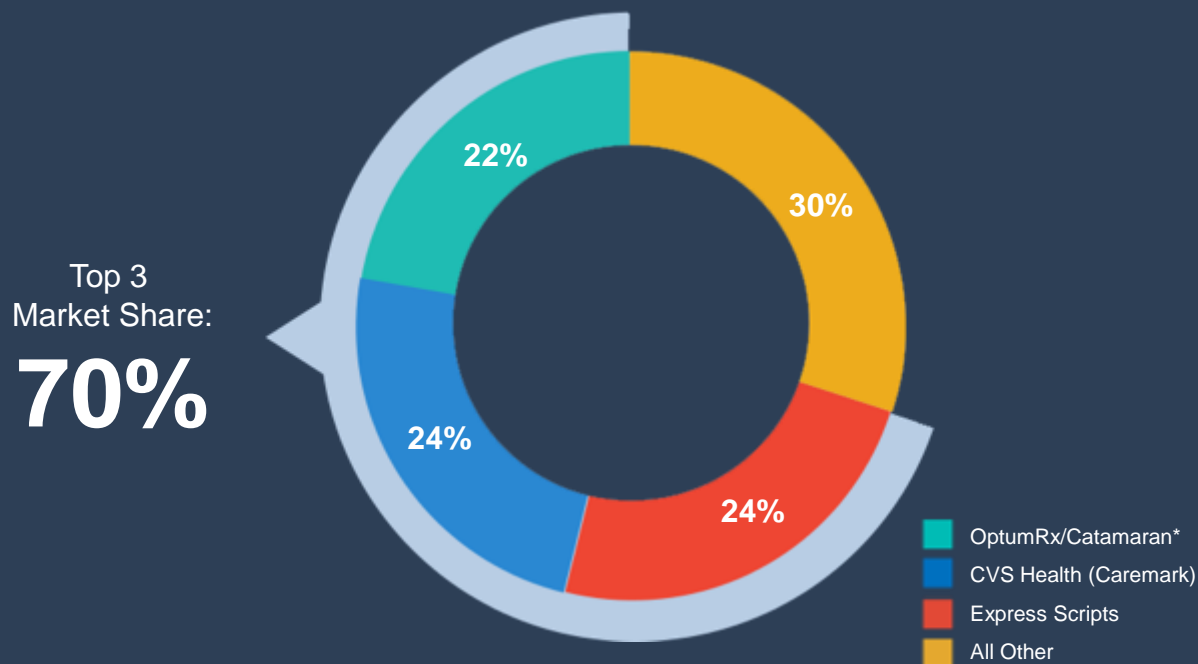
Pharmaceutical Supply Chain

Distribution and Financial Flow FOR RETAIL BRAND DRUGS



Insurers and PBMs have a lot of leverage to hold down medicine costs.

Negotiating power is increasingly concentrated among fewer pharmacy benefit managers (PBMs).



Note: OptumRx and Catamaran merged in 2015. Their 2014 shares are shown combined.
Source: Drug Channels Institute.

Insurers determine:

FORMULARY

if a medicine is covered

TIER PLACEMENT

patient cost sharing

ACCESSIBILITY

utilization management through prior authorization or fail first

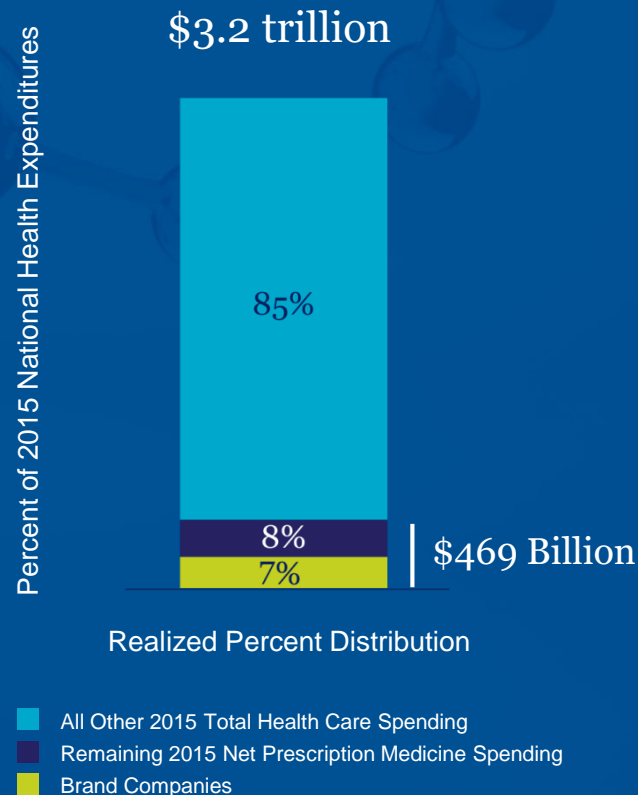
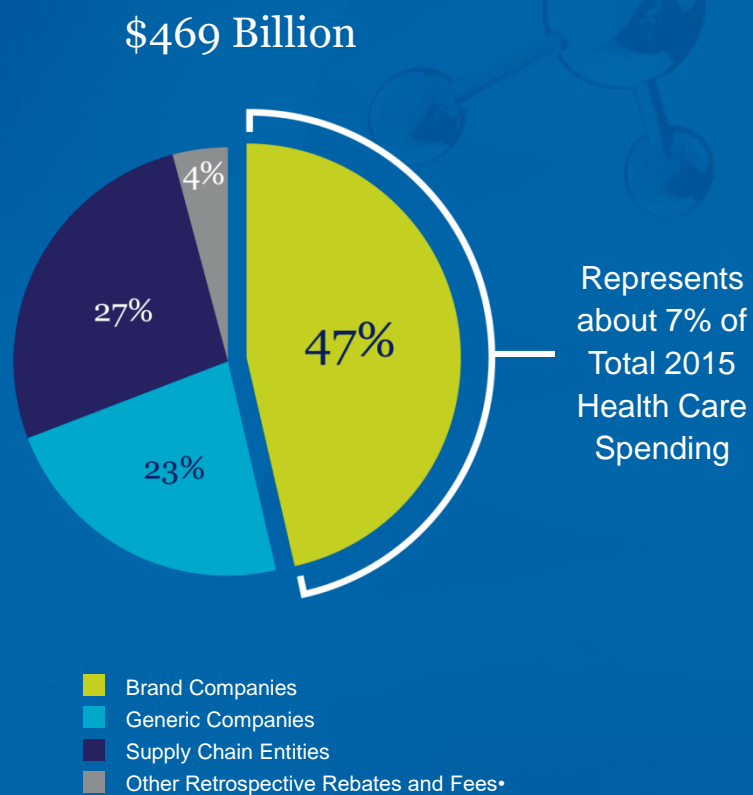
PROVIDER INCENTIVES

preferred treatment guidelines and pathways

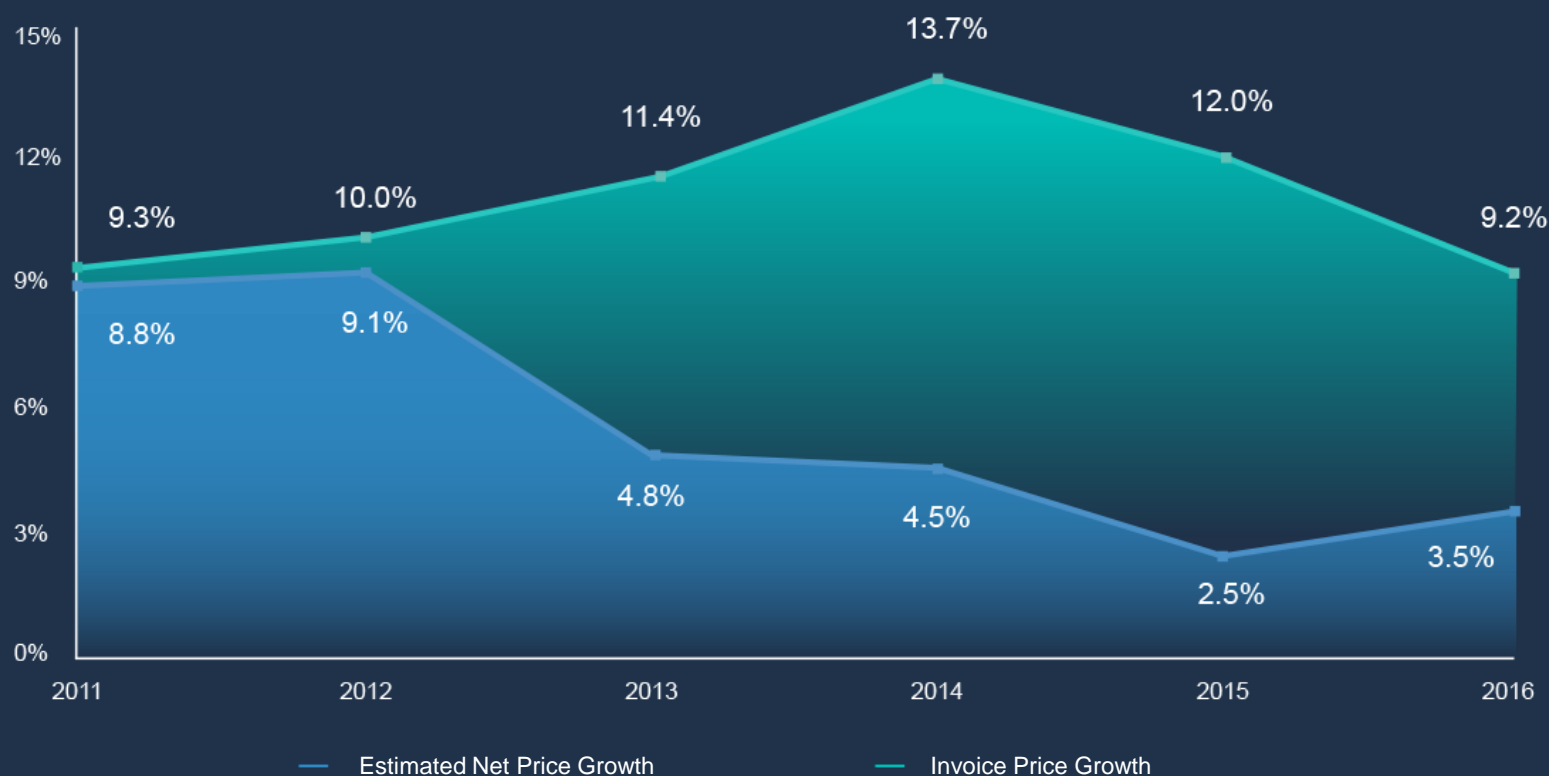
LESS THAN HALF OF NET SPENDING

on Prescription Medicines Goes to Brand Biopharmaceutical Companies

More than a quarter of net prescription medicine spending goes to supply chain entities



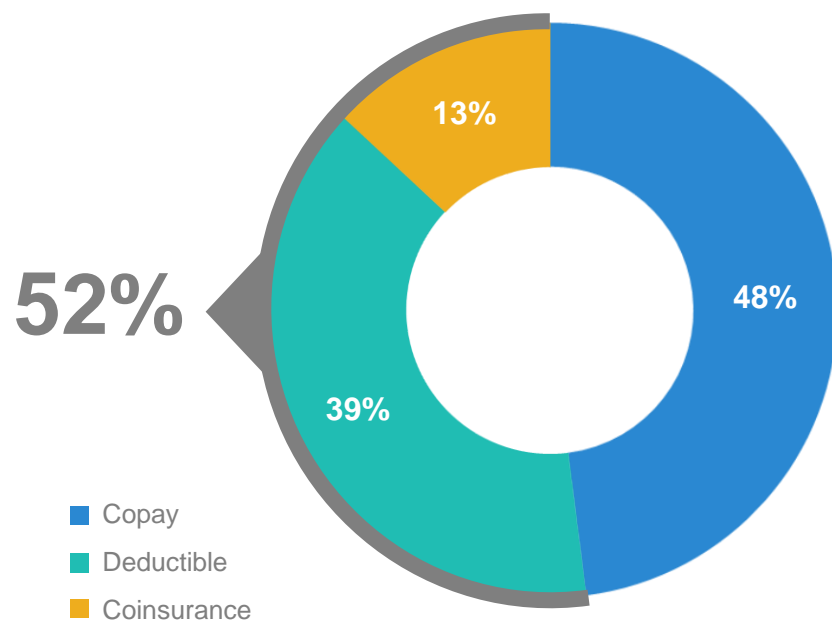
In fact, after discounts and rebates, brand medicine prices grew just 3.5% in 2016.



And too often negotiated savings do not make their way to patients.

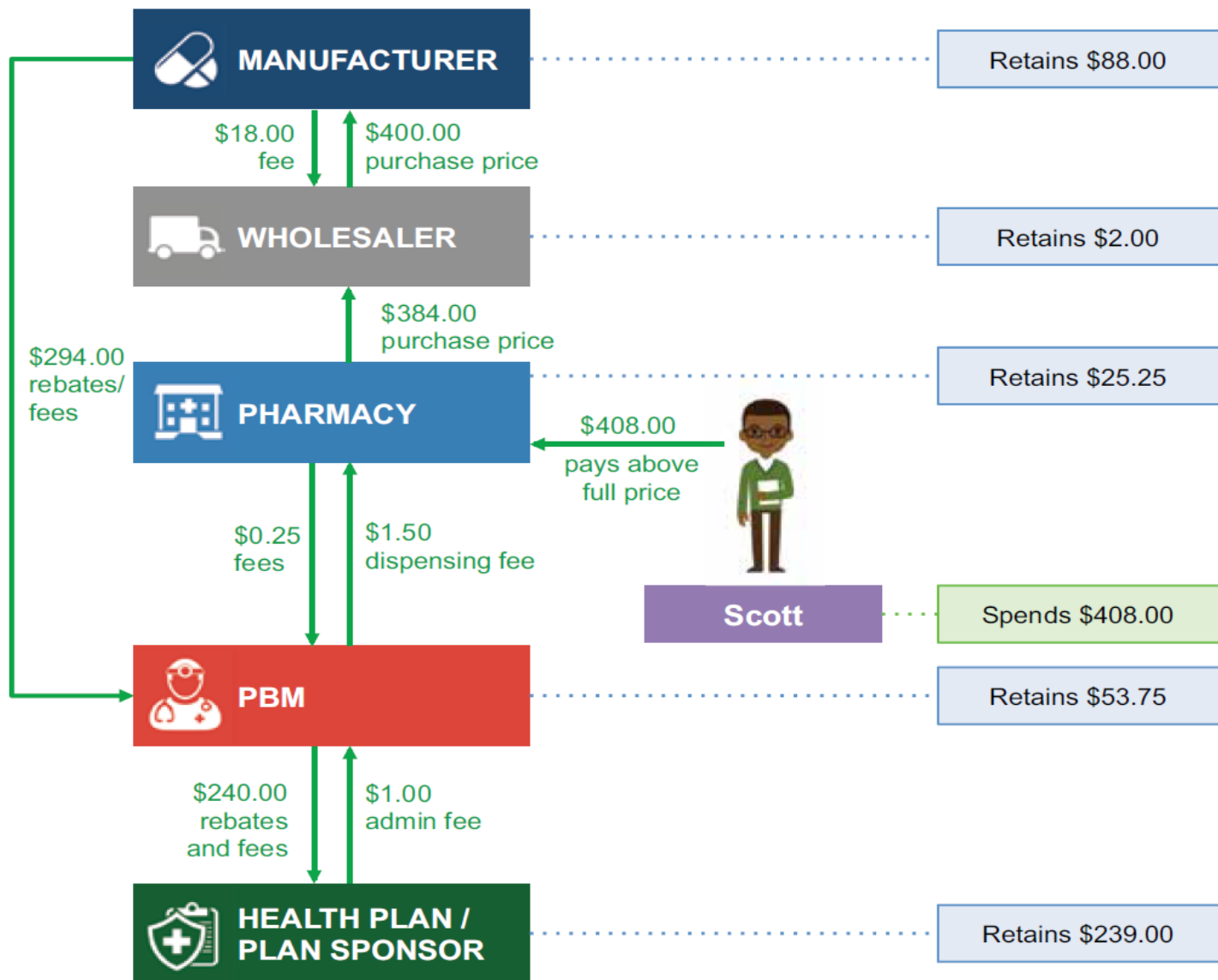
More than half of commercially insured patients' out-of-pocket spending for brand medicines is based on the full list price

Cost sharing for nearly 1 in 5 brand prescriptions is based on list price



Flow of Payment for a \$400 Insulin

(Patient Is in Deductible Phase)



This graphic is illustrative of a hypothetical product with a WAC of \$400 and an AWP of \$480. It is not intended to represent every financial relationship in the marketplace.

Thank You!

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