

Trends in Prescription Drug Pricing

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Industry Focus on High-cost Drugs

- Specialty drug approvals have exceeded traditional drug approvals since 2010
- Roughly half of drugs in the late stage of the FDA approval process are expensive specialty drugs
- Increased manufacturer focus on biologic drugs, orphan drugs, personalized medicine
 - Translation: products that can command high prices

Why orphan drugs?

- Typically come with high price tags due to their smaller patient populations (~\$150,000 per year) along with federal incentives
- Many companies are pursuing orphan drug designations for drugs originally approved to treat large populations (e.g., Humira)
- Also seeing more companies getting orphan drug approval and then increasing utilization dramatically through expanded indications
- The population sizes for orphan drugs are also growing smaller, which will likely drive prices even higher

Why biologics?

- On average, biologic drugs are 22 times more expensive than traditional drugs
 - 2% of scripts; 37% of spending
- US sales = \$125 billion in 2018; increase of 50% since 2014
- Virtually no competition
 - 18 biosimilars have been approved; 10 are on the market
 - 70+ biologics expected to lose patent protection by 2021

Biosimilar market is in very real danger of failing

- State substitution legislation (not Oklahoma)
- Ongoing debate over biosimilar approval pathway
- Biologic manufacturers are using aggressive rebate strategies to maintain market share
- If these and other roadblocks are not resolved soon, companies may be unable or unwilling to enter the biosimilar market

More patients are using expensive drugs

- Specialty drugs are now being used to treat conditions that affect millions of Americans
- Expanded indications for specialty drugs that are already on the market
 - Some drugs have over a dozen indications with more in development
- In other words: more expensive drugs are coming, and more people are using the ones that are already here

As if all of that wasn't bad enough...

Prices continue to grow after drugs come on the market

- For over a decade, brand name drug price increases have exceeded inflation by 2-fold to more than 100-fold
- See similar trends for specialty drugs, which are already expensive
 - The average annual cost for one specialty medication used on a chronic basis was \$78,781 in 2017
- Price increases add up over time
 - Average annual cost for one specialty medication would have been almost \$50,000 lower if the retail price changes had been limited to general inflation between 2006 and 2017

Older adults are particularly vulnerable to high drug prices

- High utilization
 - Part D enrollees take an average of 4.5 prescriptions/month
 - 68% of Medicare beneficiaries are being treated for 2+ concurrent chronic illnesses
- Most Medicare beneficiaries live on modest incomes
 - Median income is ~\$26,000
 - 1/4 have incomes below ~\$15,000
- Many Medicare beneficiaries have limited financial resources
 - 1/4 have less than ~\$15,000 in savings

Taxpayer-funded programs are under increasing pressure

- Medicare Part B prescription drug spending more than doubled from \$13 billion to \$32 billion between 2005 and 2017
 - Beneficiaries are responsible for 20 percent of their costs
- Total Medicare Part D spending is approaching \$150 billion
- Medicaid program is also under considerable stress, which isn't helping state budgets

Private insurance is also being affected

- An increasing number of employer-sponsored plans have a fourth or even higher tier of drug cost sharing
 - Average copayment for a fourth-tier drug is \$105 and the average coinsurance is 31%
- High deductible plans can create financial hardship with high list price drugs

Patient assistance programs are not a cure-all

- While helpful, programs can be less than generous.
- Patient assistance programs typically do not help insured patients and have very low income thresholds
- Each pharmaceutical company has its own qualifications, forms, processes for refills, and rules for re-qualifying
- Manufacturers tout increased spending on these programs but begs the question—why not just drop the price??

Pharma's Claims about Research and Development

- Private venture capital, state and federal funds (NIH, NSF and University) play a significant role in drug discovery and development
- Nearly 80% of every pharma dollar goes to something other than R&D
- The majority of drug companies spend more on marketing and sales than they do on R&D
- 78% of drug patents awarded between 2005 and 2015 were for existing drugs that had been recycled or repurposed (Humira now holds 136 patents)

AARP and SoonerPoll Results

- In Oklahoma, the average annual cost of prescription drug treatment increased 58%
 - The average annual income for Oklahomans increased 2.6%
- 27% of Oklahoma residents stopped taking medication as prescribed due to cost
- 74% of Oklahomans are concerned about being able to afford the cost of needed prescriptions over the next two years
- 76% of Oklahomans favor allowing Canadian importation of prescription drugs

High drug prices affect everyone!

Questions?

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