

LEGISLATIVE HEALTH AND HUMAN SERVICES COMMITTEE

# Controlling Prescription Drug Costs: Consumer Perspective

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Horvath Health Policy

# Drug Prices Significantly Affect New Mexicans

In October 2020, GBAO Polling firm conducted **statewide polling in NM:**

- New Mexicans (across race, ethnicity or party affiliation) rated the cost of drugs in their top 4 concerns: 1. Cost of Health Care. 2. Level of Poverty in NM. 3. Lack of good jobs. 4. Cost of prescription drugs. These concerns rated above crime, school quality and funding, COVID-19, & taxes.
- **44% of New Mexicans said that they had not filled a prescription, or skipped taking medications, because of cost concerns.**
- **78%** favored a Prescription Drug Affordability Board when it was described.
- Even after hearing the most common attacks used by the drug manufacturers nationally, on this effective regulation of the industry, those in favor of a PDAB remained at **71%**.

In a time when people are struggling from the effects of the pandemic and with inflation, high drug prices become an even more urgent issue needing bold solutions.

- One in three people in the US take at least one medication, most to manage a chronic condition.
- Nearly one in ten adults who lack insurance coverage reported unmet prescription drug needs according to Benefits Pro findings
- In a RWJF report, nearly 7% of Medicare beneficiaries who couldn't afford their drugs—spent over more than 10% of their family income on prescription drugs.

The RWJF report also underscores how unaffordable drug prices is a health equity and health justice issue that disproportionately impacts vulnerable populations.

Unmet prescription drug needs were most common among women, people with low incomes, and people with multiple chronic health conditions.

# Consumers, the health care system, state government and taxpayers pay dearly for unaffordable drugs.

The consequences of medication non-adherence are not only poor clinical outcomes but also unnecessary health care costs. The total cost estimates for skipping medication range from \$100-300 billion each year

Estimates are that approximately **125,000 deaths** per year in the United States are due to medication non-adherence<sup>9</sup> and between 33 and 69 percent of medication-related hospital admissions in the U.S. are due to not taking one's medication.

Based on national projections, in 2022 total prescription drug spending in New Mexico would be an estimated \$2.73 billion from all payors and patients.

**Alex Cvijanovich**, MEd, MD, FAAP  
President, New Mexico Pediatric Society

[https://drive.google.com/file/d/1Nax8GktpF\\_JBQH1sKnq5QHzFi0Nh6OoE/view?usp=sharing](https://drive.google.com/file/d/1Nax8GktpF_JBQH1sKnq5QHzFi0Nh6OoE/view?usp=sharing)

# Facts in finding balanced solutions for Prescription Drug Prices

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- Georgetown University estimates prescription drug costs accounts for 16% of all healthcare costs each year.
- In 2019, a group of researchers from the University of Pittsburgh released data demonstrating drug companies raked in \$8.6 trillion from 2000 to 2018 in profit just by raising the prices of the most common drugs on the market without making any major changes to production methods or formulations.
- A group of 10 companies alone studied by AHIP in 2020, selling and marketing expenses exceeded R&D spending by \$36 billion, or 37%.
- The median launch price of a new drug in the US in 2021 was \$180,000 for a year's supply. (Bloomberg)

# Prescription Drug Affordability Boards

**A state solution to lowering drug costs recommended by NCSL.**

PDABs enacted in 5 states (CO, MD, ME, OR and NY) and in proposed legislation actions in WA, PA VA, AZ MI, MN, NJ, NM and RI.

Comprised of a 5-member appointed independent Board with staff experts administratively attached to the NM Department of the Superintendent of Insurance.

In NM, we propose our PDAB would be funded with fees on the licenses of drug companies, the supply chain and PBMs. Pharmacies and health carriers would not be assessed.

The NM PDAB would use a market-based approach instead of rate setting so we can enact solutions for all New Mexicans and not just our small commercial market.



Joseph P. Sanchez, PhD

August 10, 2022

New Mexico Legislative Health and Human Services Committee

# Fair Rx Prices for New Mexicans



## **AARP SUPPORTS FAIR Rx PRICES BECAUSE:**

- Americans pay three times what people in other countries pay for the same drugs.
- Four million Americans and 31,499 New Mexicans demand lower prices for prescription drugs.
- Lowering prescription drug prices has widespread support among voters, regardless of their party affiliation.
- Congress is finally on the cusp of delivering real prescription drug price relief for millions of older Americans.



## **AARP SUPPORTS FAIR Rx PRICES BECAUSE:**

- The reconciliation package in Congress does not include everything AARP was fighting for but it's a massive step forward.
- Lowering prescription drug prices should be at the top of the list to bring real relief to people who seriously need it.
- What we hear most from our members is frustration and desperation about skyrocketing prices of prescription drugs.



## AARP SUPPORTS FAIR Rx PRICES BECAUSE:

- Older people skip medications or ration their medicines because they can't afford them.
- Drugs don't work if people can't access them because they can't afford them.
- The issue of excessive prescription drug prices is not only one of equity but of survival for far too many New Mexicans.



## **AARP SUPPORTS A PRESCRIPTION DRUG AFFORDABILITY BOARD BECAUSE:**

- Prescription Drug Affordability Board (PDAB) would ease the burden of prescription medications for older New Mexicans who can't live without them.
- Together we can make this happen for thousands of New Mexicans who desperately need the relief from excessive prescription drug pricing.
- PDAB, based on a National Academy for State Health Policy (NASHP) model, is an independent body established by the state that evaluates drug prices.



## AARP SUPPORTS A PRESCRIPTION DRUG AFFORDABILITY BOARD BECAUSE:

- AARP supports the development of a NM PDAB.
- AARP believes that federal, state, and local governments should ensure that prescription drug launch prices and subsequent pricing decisions are **reasonable, justified, and support improved consumer access and affordability**.
- Americans shouldn't have to pay the highest prices in the world for the medicines they need.
- New Mexicans depend on their prescriptions – but from cancer treatments to EpiPens, and beyond, drug companies' skyrocketing prices are pushing life-saving treatments out of reach for those who need them.



We are a coalition of health experts, patient advocates and consumers, and this year we're urging our representatives to create a Prescription Drug Affordability Board, independent body with the authority to negotiate on consumers' behalf, hold drug companies accountable and incentivize lower prices.



Jane Horvath

August 10, 2022

New Mexico Legislative Health and Human Services Committee

# Prescription Drug Costs

## An Approach for New Mexico

Horvath Health Policy, *Innovations in Healthcare Financing Policy*

# My Experience

- Medicaid Drug Rebate Law creation
- Merck employee
- Biopharmaceutical industry consultant
- Established the NASHP Center for Rx Pricing
- Author Prescription Drug Affordability Model Act
- Consultant to state executive and legislative branch Rx commissions and task forces

# Why States Need In-House Expertise – the marketplace

- Many different types of participants in the Rx market
  - Manufacturers, wholesalers, pharmacies, hospitals, clinics, medical professionals, employers and insurers, pharmacy benefit managers
- Every market participant has a business model that includes prescription drugs
- Every business model includes managing costs of, and/or revenue from, prescription drugs
- Every business model interacts with the business model of another participant
- Many contracts between market participants that impede transparency and consumer-friendly market changes

# Why States Need In-House Expertise – the government

- Federal oversight laws and regulations
  - Drug approvals, drug safety and security, marketing
  - Consumer safety
  - Drug patents and exclusivities
- Federal laws and regulations concerning government as market participant
  - Medicare, Medicaid, VA, IHS, ERISA, public health service
  - Rx provider reimbursement formulas, billing rules, benefits/coverage, mandatory and voluntary Rx price concessions
- Federal law concerning market operations
  - 340B program
- Federal case law
  - Dormant commerce clause
  - Patent protections

# Why States Need In-House Expertise – the interconnectedness

- One policy can interact with any number business models in different ways
- One policy can interact with federal laws and regulations in different ways
- Making drugs affordable for consumers, employers, insurers and government requires deep expertise
  - Or at least requires people who “know what they don’t know”
- That’s why a Prescription Drug Affordability Board is needed
  - Concentrate on affordability
    - Leave clinical value and economic value to patients, providers and payers

# Existing PDABs

- CO
  - PDAB members knowledgeable about healthcare system, hospitals in particular
  - Staffed with healthcare system experts
  - Required to establish upper payment limits for up to 12 Rx/year
  - Sunsets in 2027
- MD and OR
  - Members with considerable expertise
  - Very Rx-knowledgeable staff
  - MD voted to proceed with developing study and recommendations for upper payment limits – results due early 2023
  - OR is required to study upper payment limits and other options to make drugs affordable and make recommendations. Findings due 12/22
- ME and NH
  - Very similar to NM IPPC – government payers and purchasers
  - Limitation – doesn't create market leverage
  - Limitation – government purchasers already have full time jobs, no time to develop broad-based expertise

# A New Mexico PDAB

- Independent Board with expertise to innovate in a very complex market
- Tasked with market-based approaches to statewide prescription drug affordability
- Tasked with outreach to employers, consumers, healthcare system for consultation, education, innovative thinking, consensus building
- Tasked with building a more unified market in which to apply innovative consensus strategies for statewide Rx cost reduction
- Intent is to build transparency into innovative strategies
- Board will propose regulatory or legislative policies to implement or complement market strategies

# Potential Ideas for Exploration

- NM-focused PBM that can/will execute on NM consensus market strategies
- NM-focused wholesaler/group purchasing organization that can/will execute on NM consensus market strategies
- Innovate with Rx discount cards for insured people
- Contract with innovative 'cost plus' generic manufacturers
- Federal vaccine for children program as an operational model for NM cost containment
- Louisiana drug class competitive contracting as an operational model for NM cost containment
- Market strategies that strengthen NM pharmacies and other healthcare providers
- Incorporate NM wholesale importation program when it comes to pass
- Design strategies that can benefit federal plans and programs

# Why This PDAB Model in New Mexico

- New Mexico has all the diversity to test cost containment innovations and be applicable in other places
- New Mexico is right-sized to
  - build robust private/public partnerships
  - directly involve most stakeholders
  - experiment with different strategies for different drugs
- New Mexico is right-sized—no one can credibly argue that the business models of national or global Rx market industries are harmed by any NM cost containment initiative

# MEDICATIONS DON'T WORK



IF PEOPLE CAN'T AFFORD THEM

[www.NewMexicoCAP.org](http://www.NewMexicoCAP.org)



**Thank you for your commitment to making  
prescription drugs more affordable in New Mexico.**

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