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State Prescription Drug Affordability Board

Why and How

Prescription Drug Affordability Board, The Basics

- Concept is affordability, not value
 - Value is in the eye of the beholder and difficult to agree upon
 - Affordability is more clear cut – at what cost could everyone needing a drug get access to that drug?
 - Affordability presumes more people will use more drugs
 - No intent to cause prescription drug manufacturer to lose money
- Concept is similar to state treatment of vital public services
 - 4-5 independent people determine what consumers will pay for clean water, electric, natural gas, transportation.
 - Balance affordability with need for innovation and maintenance
 - Concept goes back to early 1900's

Prescription Drug Affordability Board, The Basics (2)

- 5 person, independent Board with issue area expertise
- 15 person advisory council (stakeholders with views and biases)
 - Can be more or less than 15, whatever is needed
- Monetary cost thresholds “trigger” a *potential* review
 - Review is not automatic, based on public input
- Set different thresholds for
 - brand and off-patent brands and biologics
 - Generics
 - Biosimilars
 - Any other drug that is determined to be creating financing challenges to state health care system

Differentiating Feature of UPL

- Lowers the cost of the drug at the point of service
 - Lowers cost for pharmacy
 - Lowers cost for patient
 - Lowers claims payment costs for health plans
- Can make manufacturer rebates unnecessary
- Leaves value assessment up to health plans

The Review Process

- Board solicits public comments on whether a triggered drug should undergo a full review
- If a review, then:
 - Solicits more public input
 - Understands how health plans and payers think about the drug
 - Determine what is spent currently to the particular condition
 - Understand how many people in the State should have affordable access to the drug
 - Determine the cost to payers, purchasers and patients that will not strain the financing systems and provide appropriate access
 - That analysis should produce an upper payment limit

How an Upper Payment Limit Works

- Optimal system is state-wide, all payer, all-purchaser
 - Statewide ensures that no part of the supply chain is left 'holding the bag'
 - Statewide improves market dynamics
 - State has more leverage
 - Manufacturer can sell more product at the UPL than at the market price
 - Statewide allows payers to help enforce the UPL via claims payment
 - Statewide makes it easier for pharmacists and wholesalers
 - Less than statewide probably means that the rebate system will be used for payers and purchase in the UPL system

Enforcement

- Pharma will not cease sales in the state because of a UPL
 - Europe, Canada, Japan
- Import the drug from Canada – allow full price drug on the market until the import system is active
- State specific commerce and consumer protection laws may be applicable

Thank You!

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