

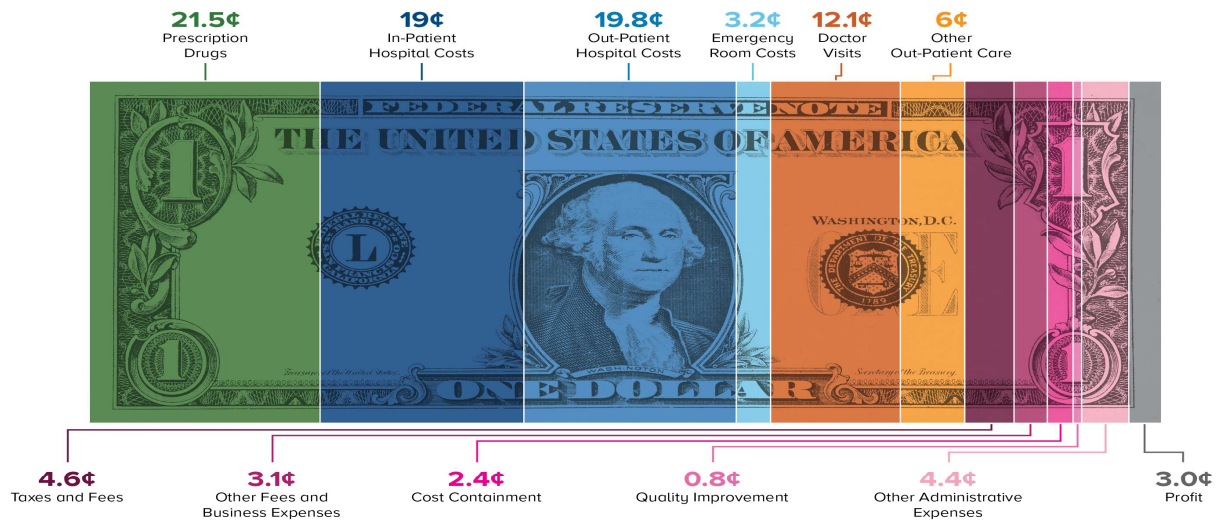
Controlling Prescription Drugs the Key to Affordability, Accessibility and Quality of Care

APRIL 2023



Where Does Your Health Care Dollar Go?

Your premium—how much you pay for your health insurance coverage each month—helps cover the costs of the medications and care you receive and improves health care affordability, access and quality for everyone. [Here is where your health care dollar really goes.](#)



This data represents how commercial health plans spend your premiums. This data includes employer-provided coverage as well as coverage you purchase on your own. Data reflects averages for the 2016-18 benefit years. Percentages do not add up to 100% due to rounding.

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Growth in Prescription Drug Expenditures Far Outpace Other Categories in Health Care

3



1-<https://healthpayerintelligence.com/news/prescription-drugs-account-for-22-of-payer-premium-spending>

Spending on health care in America will take \$1 of every \$5 of gross domestic product in 2025, with prescription drug spending increasing 79.6%¹.

4



2020 – Prescription drug spend
\$359 billion

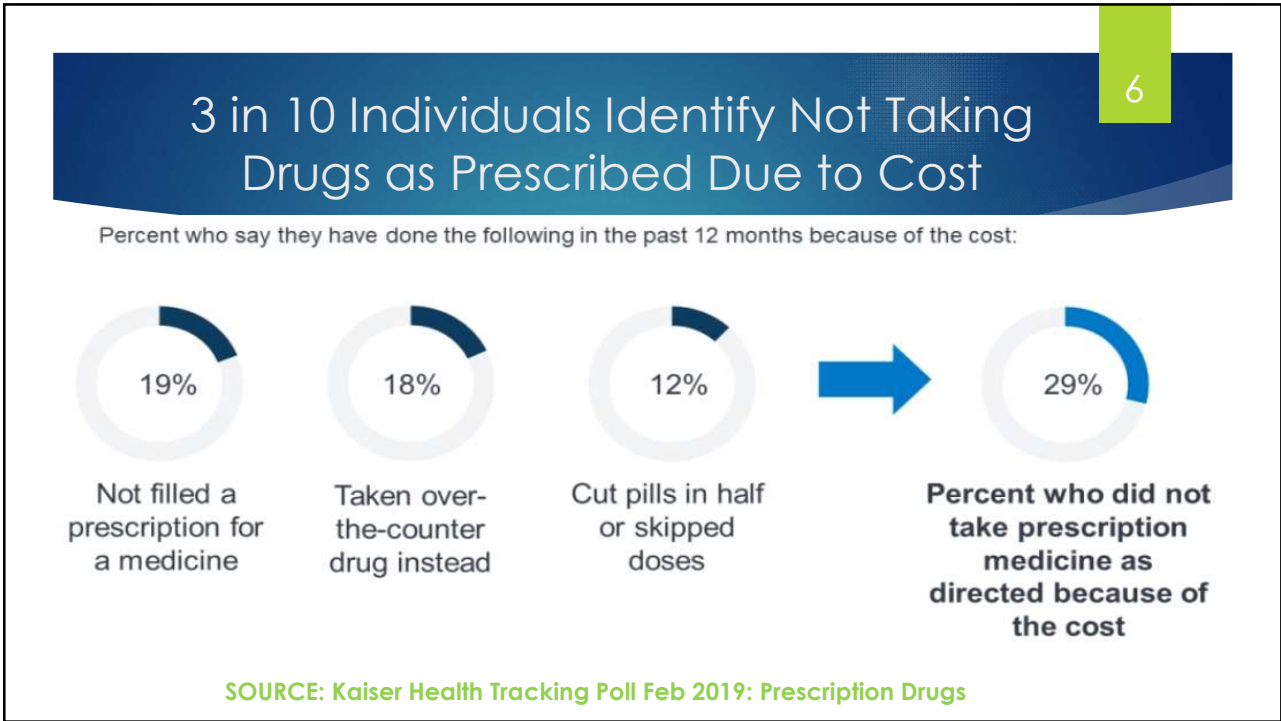
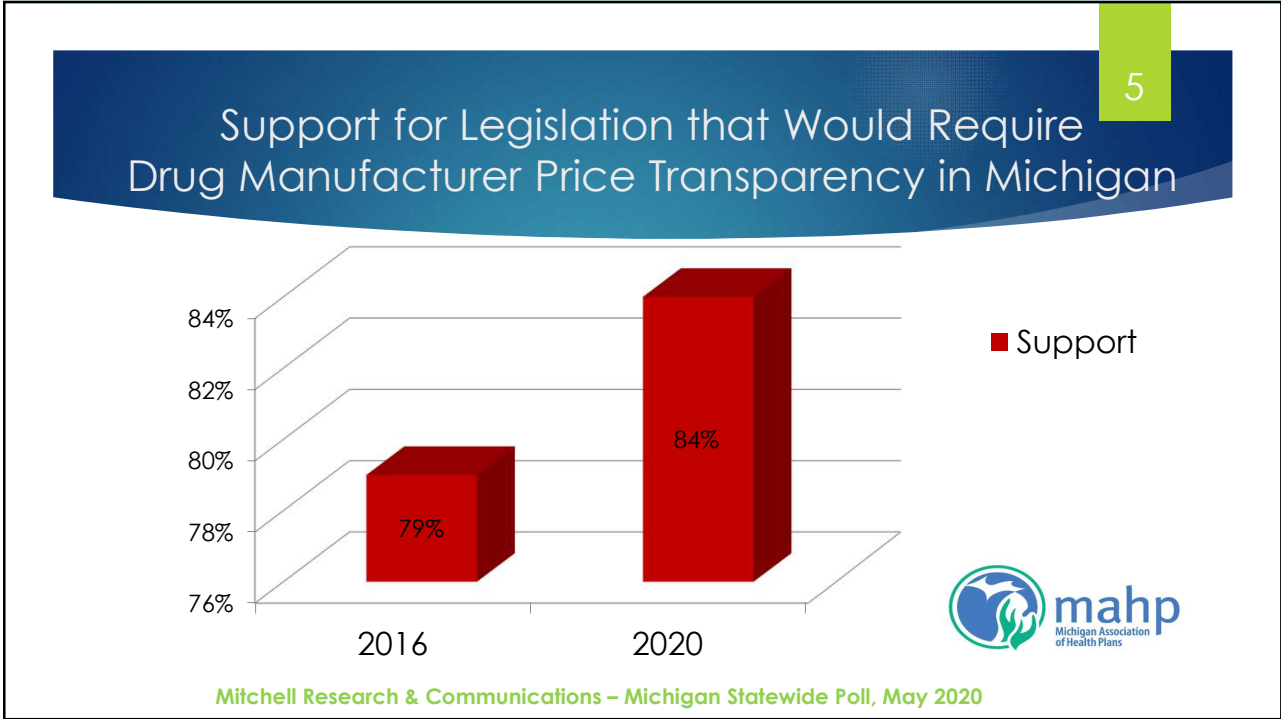
2025 – Prescription drug spend
\$614.5 trillion

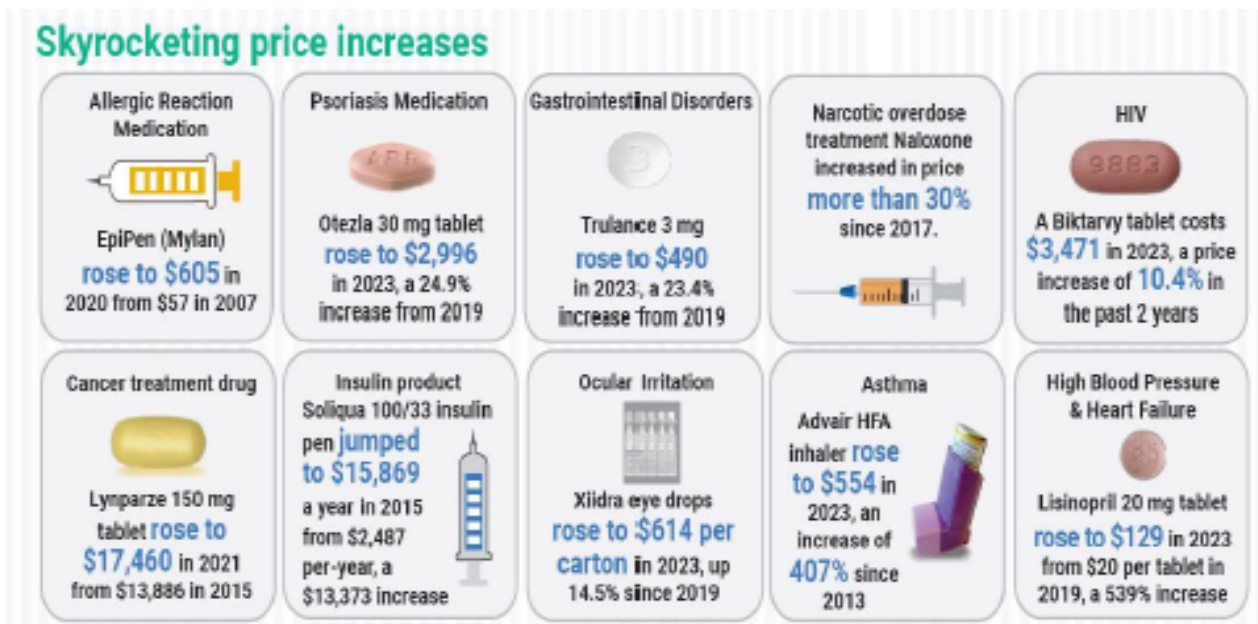
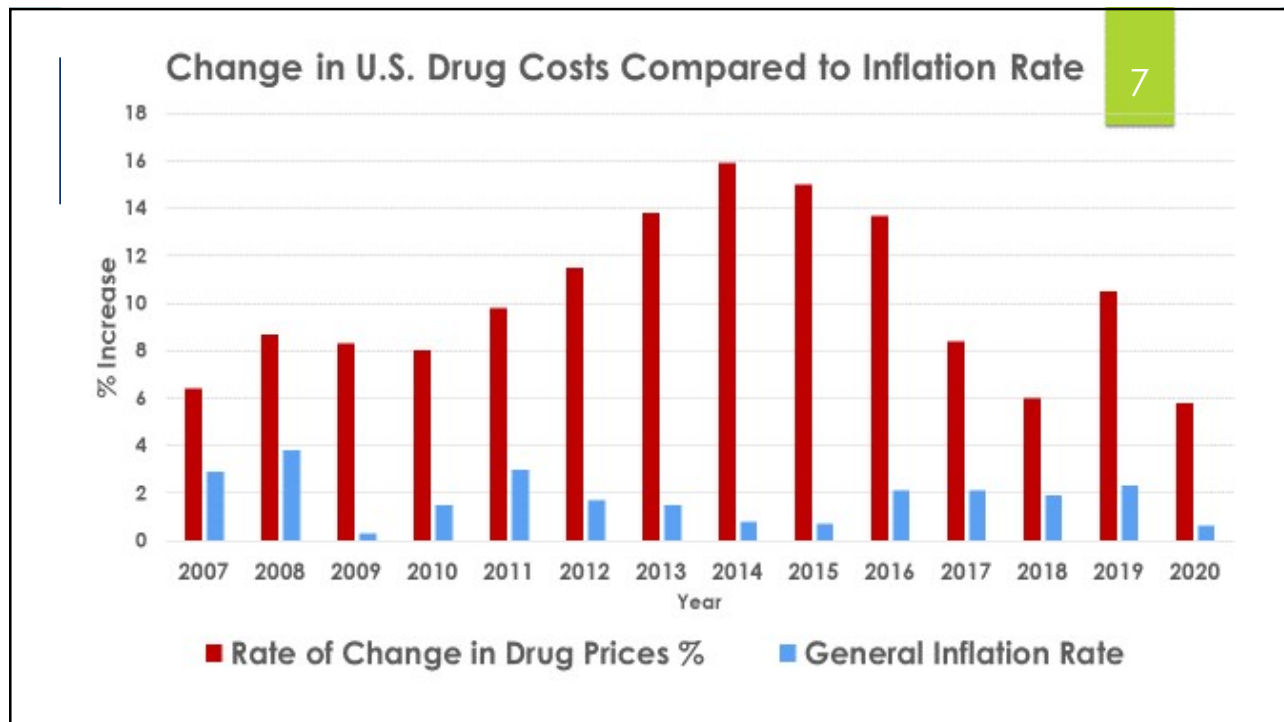


This represents a **percent change of 79.6%** compared to the comparative spending change in hospitals of 68.7% and physician and other professional services change 64.1%².

1- <https://www.healthaffairs.org> National Health Spending 2021
2- <https://www.iqvia.com> The Use of Medicines in U.S. 2022







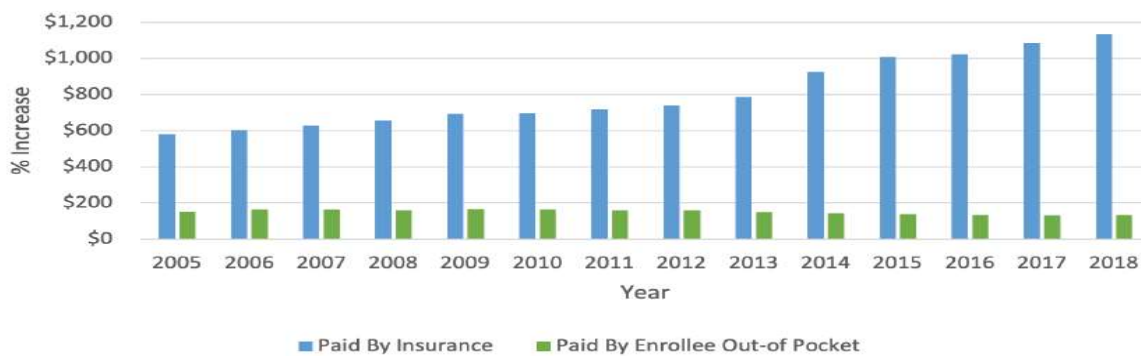
Why Prescription Drug Pricing Transparency Matters

9

- ▶ The rising costs of prescription drugs have increased the financial burden on Michigan residents.
- ▶ Drug costs and continued price increases are a major contributor toward the overall high health care costs and rising consumer premiums.
- ▶ Prescription price increases are significantly outpacing the general inflation rate.
- ▶ Many drugs (brand and generic) have double-digit price increases, often multiple times a year.
- ▶ New drugs being launched have prices exceeding \$100,000 - \$1 Million contributing to unsustainable health care costs.

Average Amount Spent Out-of-pocket & by Insurance on Retail Prescription Drugs

10



Source: Kaiser Family Foundation analysis of IBM MarketScan Commercial Claims and Encounters Database 2004-2018

11

Centers for Medicare and Medicaid Services has made reporting health care transparency a priority goal to allow consumers greater ability to select providers based upon high quality and efficiency. **Transparency is required in every sector of the health care industry EXCEPT prescription drugs.** CMS publishes utilization and payment data for:



Physicians



Hospitals

Equipment
SuppliersHome Health
AgenciesSkilled Nursing
FacilitiesHospice
Providers

12

Prescription Drug Transparency Legislation

- ▶ Policy legislation shifting the cost of prescription drugs to employers or payers does not address the true issue – the HIGH COST of PRESCRIPTION DRUGS
- ▶ Prescription drug price transparency legislation is the key.
- ▶ Transparency legislation on prescription drugs is required included under the European Medicines Agency (Policy 0070) which covers 33 countries and the Canadian Prescription Drug Management Program

State Enacted Prescription Drug Transparency Legislation

13

- ▶ Vermont passed the first drug transparency law in 2016
- ▶ Since then 13 other states have passed drug transparency laws (CA, CT, CO, LA, MD, ME, MN, ND, NH, NJ, NM, NV, OR, TX, UT, VA, VT, WA, & WV)
- ▶ California's transparency program posts launch price information and five-year schedules of price increases reported by manufacturers
- ▶ Since state transparency laws were first enacted, price increases that trigger state reporting thresholds has decreased over time
 - ▶ VT had a 79% decline in number of drugs reaching state's threshold
 - ▶ OR had a 70% decline in number of drugs reaching state's threshold

14



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