



Examination of Health Care Cost Trends and Cost Drivers

Pursuant to G.L. c. 12C, § 17

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AGO Cost Trends Examinations

- Authority to conduct examinations:
 - G.L. c. 12, § 11N to monitor trends in the health care market.
 - G.L. c. 12C, § 17 to issue subpoenas for documents, interrogatory responses, and testimony under oath related to health care costs and cost trends.
- Findings and reports issued since 2010.
- This examination focuses on prescription drug spending.
- Examined commercial spending under the pharmacy benefit by five health plans – four regional and one national – representing 75% of the Massachusetts commercial market.



Questions Examined

- I. What are overall trends in drug spending, accounting for discounts and rebates?
- II. In the specialty space, what contractual arrangements do market participants use to attempt to manage spending?
- III. Case study: How have those contracting approaches impacted drug prices in one high-cost specialty drug area (Multiple Sclerosis)?



Annual Increase in Commercial Drug Spending Net of Rebates (PMPM) 2013-15

Annual Pharmaceutical Spending Trend (Per Member Per Month) 2013-2015				
	2013-2014 Trend		2014-2015 Trend	
Plan	Pre-Rebate	Net-Rebate	Pre-Rebate	Net-Rebate
Plan 1	14.3%	12.9%	6.5%	4.5%
Plan 2	11.0%	11.7%	14.6%	15.3%
Plan 3	10.2%	9.0%	11.4%	9.3%
Plan 4	21.1%	19.9%	7.7%	3.3%
Plan 5	13.4%	13.1%	10.4%	8.4%
Average	14.6%	13.7%	8.2%	6.1%
Reporting Entity	Pre-Rebate	Net-Rebate	Pre-Rebate	Net-Rebate
HPC ('13-'14)	12.5%	N/A	8.5%	N/A
CHIA ('14-'15)				
IMS	13.1%	N/A	12.2%	8.5%



Annual Increase in Commercial Specialty Spending Net of Rebates (PMPM) 2013-15

Annual Trend for Spending on Specialty Drugs (Per Member Per Month) 2013-2015				
	2013-2014 Trend		2014-2015 Trend	
Plan	Pre-Rebate	Net-Rebate	Pre-Rebate	Net-Rebate
Plan 1	32.5%	N/A	29.9%	N/A
Plan 2	30.4%	30.5%	45.5%	45.7%
Plan 3	33.4%	N/A	23.5%	N/A
Plan 4	45.0%	46.4%	19.9%	17.3%
Plan 5	36.3%	36.2%	25.0%	18.0%
Average (Plans 2, 4 and 5)	38.0%	38.3%	26.1%	21.4%
Reporting Entity	Pre-Rebate	Net-Rebate	Pre-Rebate	Net-Rebate
IMS	26.5%	N/A	21.5%	N/A



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Health Plans Pay for Specialty Drugs in a Variety of Ways

	For Specialty Pharmaceuticals, Health Plan Contracts Directly with:					
Plan	PBM for discounts	Manufacturers for discounts	Pharmacy for discounts	PBM for rebates	Manufacturer for rebates	PBM for up-front price, with rebate guarantee
Plan A	✓			✓		
Plan B			✓	✓		
Plan C			✓			✓
Plan D			✓		✓	
Plan E		✓			✓	

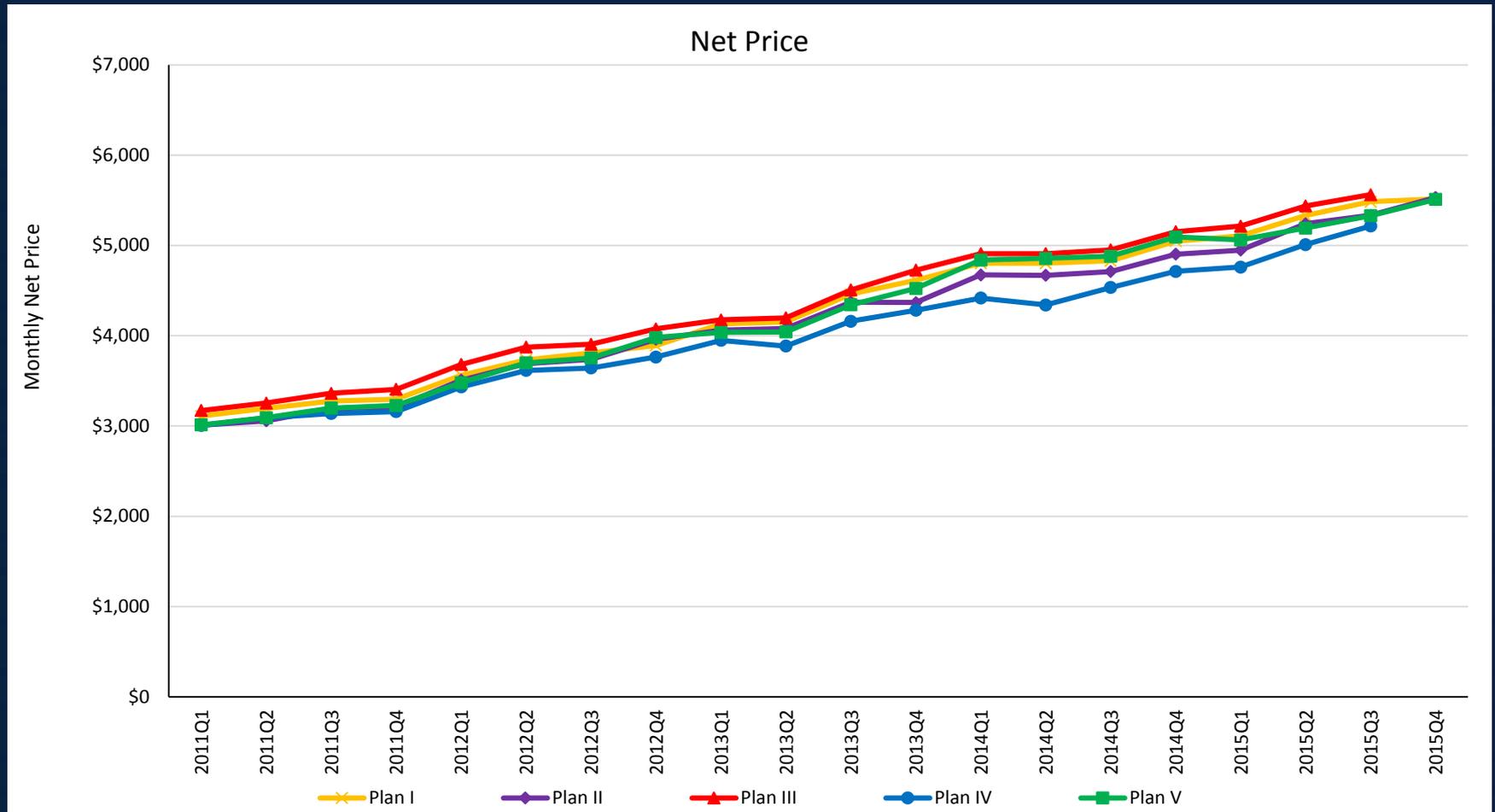


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Steady, Substantial Price Increases and Minimal Differences in Prices for Multiple Sclerosis Drugs Across Health Plans





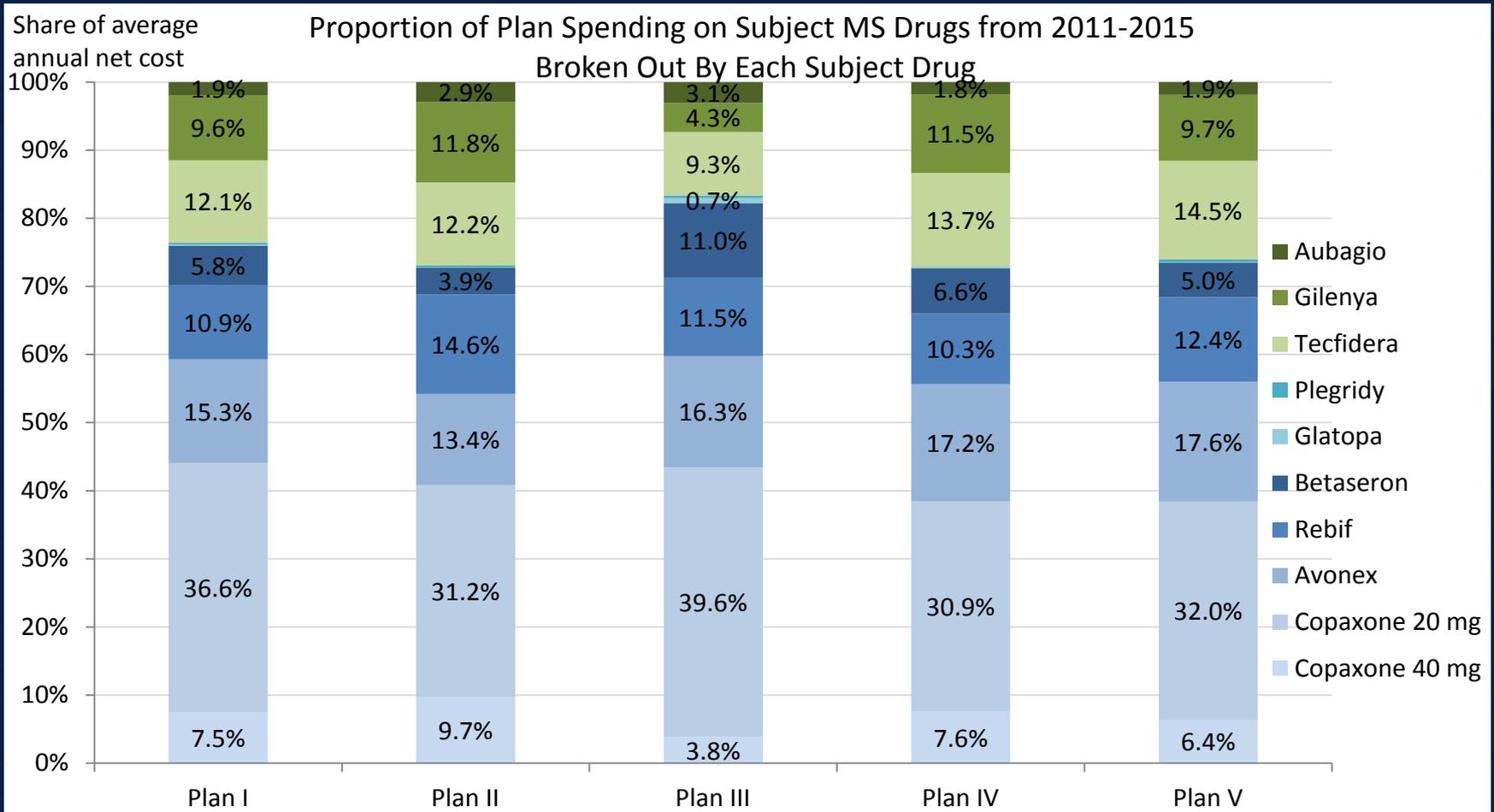
Steady, Substantial Price Increases and Minimal Differences in Prices (Low CVs) for Multiple Sclerosis Drugs Across Health Plans

Plan	Average Annual Growth Rate in Net Prices for 10 MS Drugs
Plan I	12.1%
Plan II	11.6%
Plan III	15.0%
Plan IV	11.7%
Plan V	10.2%

Coefficient of Variation Across Plans' MS Prices: 2011-2015	
Drug	Cross-Plan, Net-Rebate CV
Aubagio	4.9%
Avonex	4.5%
Betaseron	5.2%
Copaxone 20 mg	1.9%
Copaxone 40 mg	4.8%
Gilenya	1.9%
Glatopa	3.7%
Plegridy	2.8%
Rebif	4.3%
Tecfidera	3.3%



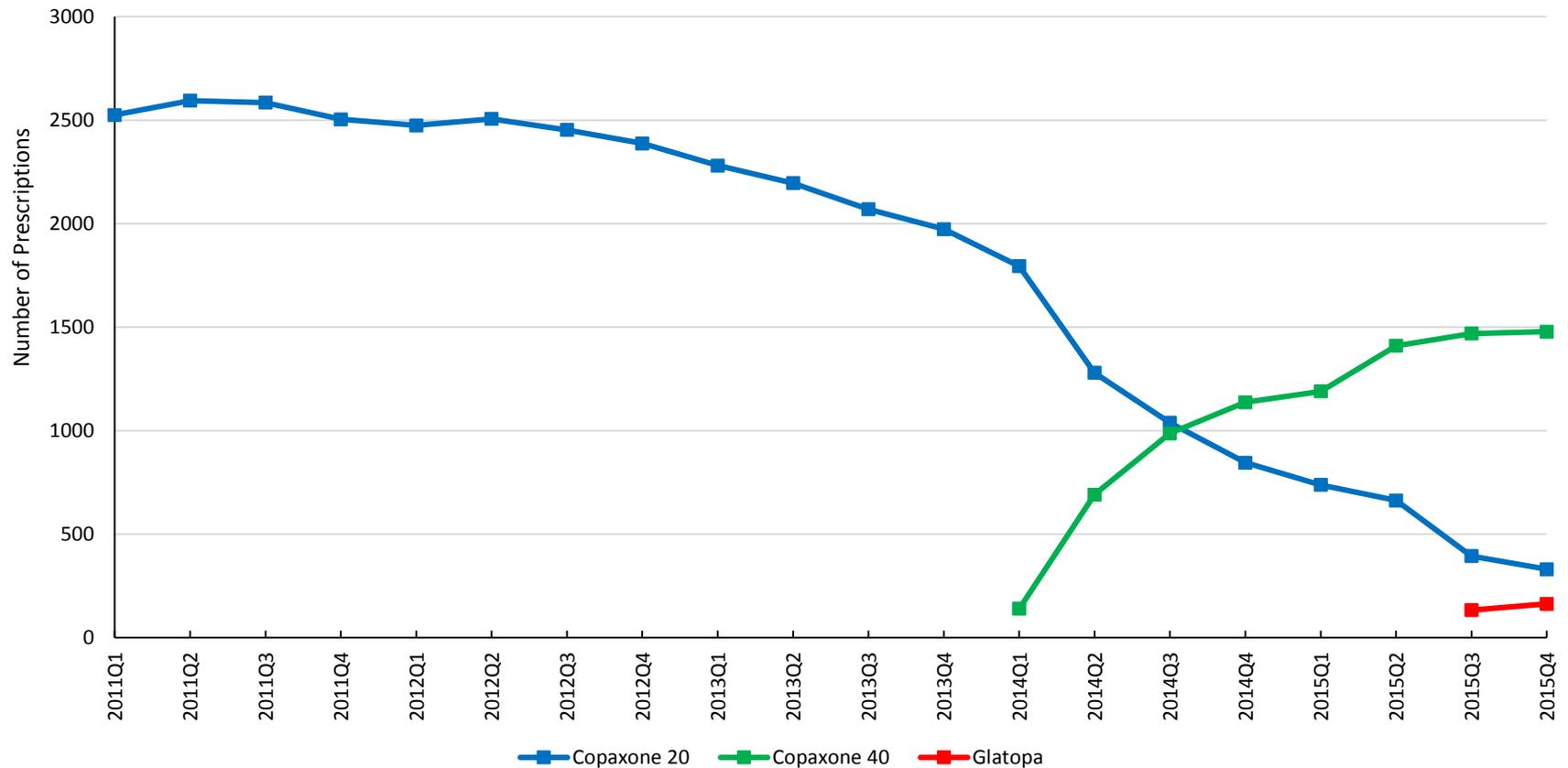
Little Variation in Relative Spending on Multiple Sclerosis Drugs Studied





Impact of Single Generic Alternative on Multiple Sclerosis Drug Spending is Unclear

Copaxone and Glatopa Total Monthly Prescriptions – All Plans





Recommendations

- To facilitate understanding of actual spending on pharmaceuticals, require reporting of aggregated, standardized information on drug rebates.
- Continue fostering competition by promoting the availability of generic and biosimilar drugs.
- Improve measurement and transparency of the comparative efficacy of different drugs that treat the same disease.
 - Where different drugs are demonstrated to be similarly effective, consider broader implementation of strategies that spur competition on behalf of consumers (e.g., formularies, reference pricing).
 - Where access to all drugs in a therapeutic class is strongly valued (i) consider enhancing patient value by relying on comparative efficacy to encourage research, development, and spending on the highest value drugs; and (ii) explore innovative reimbursement approaches (e.g., outcomes-based contracts).