



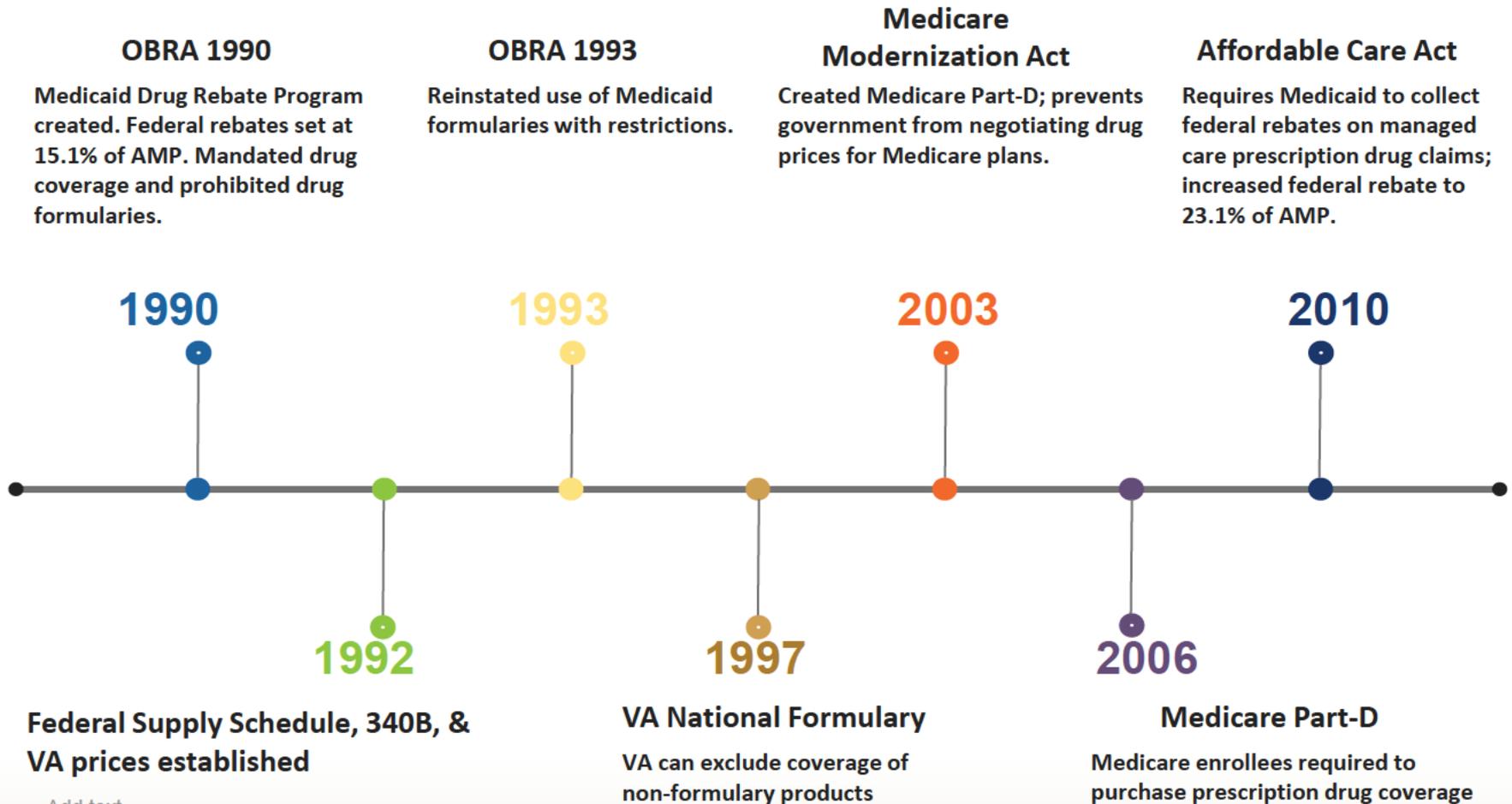
# Overview of Prescription Drug Prices and Transparency

Senate Health Care Committee

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# Summary of Federal Prescription Drug Milestones



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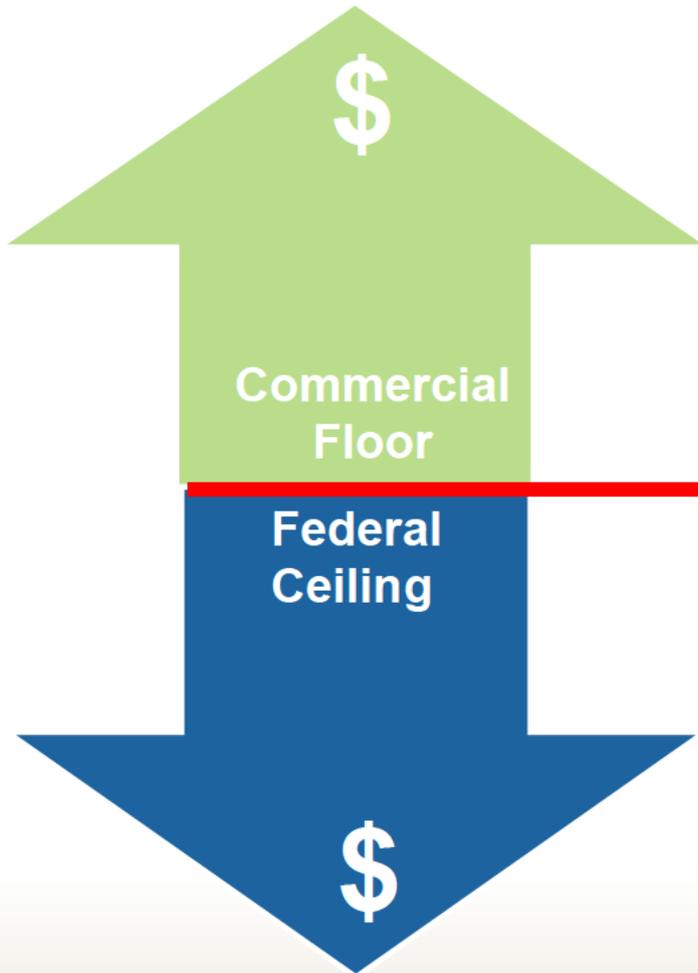
# Drug Price Benchmarks

- **Average Manufacturer's Price (AMP)**
  - Lowest price available from manufacturer during rebate period to any non-government entity in U.S.; discounts
- **Consumer Price Index (CPI) Penalty**
  - AMP rises 1% faster than inflation; manufacturer must pay the difference in additional rebates
- **Federal Ceiling Price (FCP) or "Big Four Prices"**
  - Available only to DOD, VA, PHS, US Coast Guard
  - By law, are 24% lower than non-federal AMPs; Generally do not apply to generic drugs (38 U.S.C §8126(a)(2))
- **Federal Supply Schedule (FSS)**
  - Participation required to be eligible for Medicaid
  - Available to all direct federal purchasers; intended to be no more than AMP
- **Medicaid Best Price (Best Price)**
  - Best Price = AMP – Federal Rebate – CPI Penalty
- **Wholesale Acquisition Cost (WAC)**
  - Manufacturer-reported prescription drug "list price" for sale to wholesalers
  - Not accurate representation of what wholesaler or end provider actually pays; WAC does not include discounts such as rebates, volume purchase agreements, or prompt-pay agreements

# 340B Pricing & Covered Entities

- **340B prices**
  - Required for manufacturers to participate in Medicaid
  - Must provide outpatient drugs to covered entities no higher than ceiling price
  - 340B ceiling price is AMP – 24%
- **Covered entities**
  - Must pass through 340B ceiling prices to Medicaid program
  - Eligible health care organizations
    - Children’s hospitals
    - Federally qualified health centers
    - Hemophilia treatment centers
    - Medicare/Medicaid Disproportionate Share Hospitals
    - Ryan White clinics & state AIDS Drug Assistance Programs
    - Other safety net providers

# Impact of Medicaid Best Price



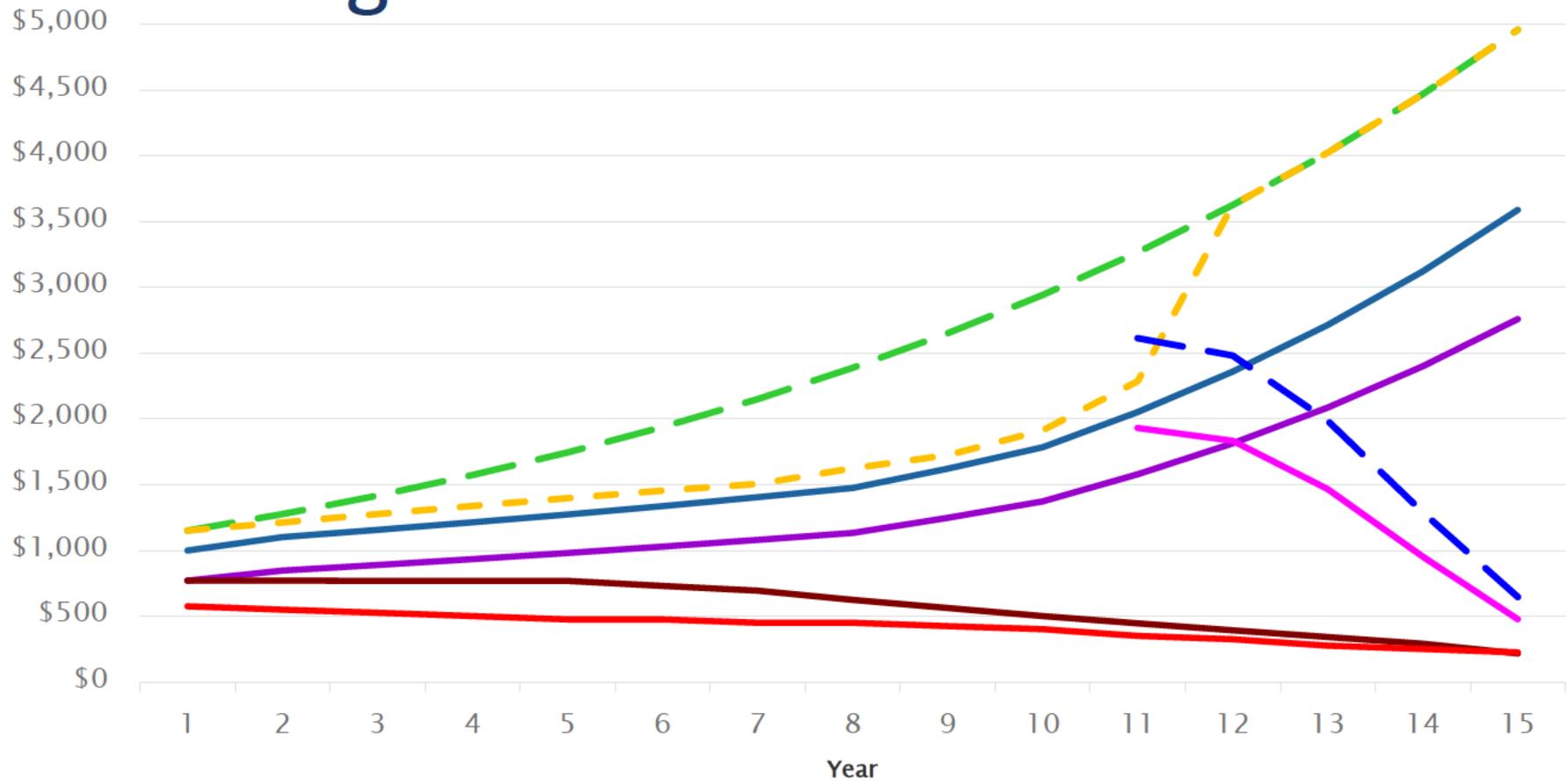
## Non-government programs

- Fully-insured commercial plans
- Self-insured employers
- Medicaid managed care
- Medicare Advantage/Medicare Part-D

## Average manufacturer's price (AMP)

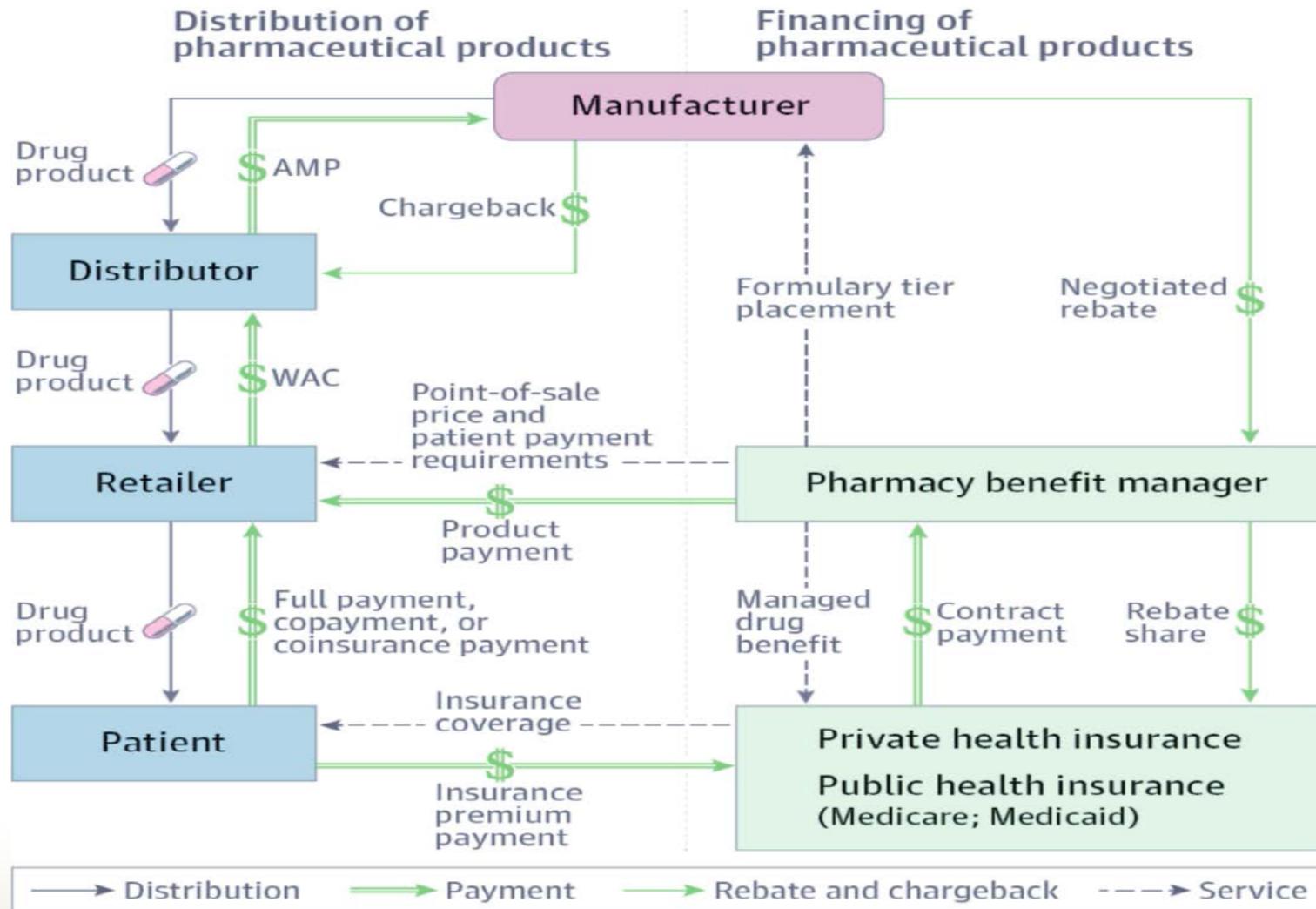
- AMP – 23.1% (Medicaid Drug Rebate Program (MDRP))
- 340B ceiling price cannot exceed AMP-fed rebate
- AMP<sub>5</sub> – 24% = Veterans Affairs pricing

# Drug Price Increases Over Time



- Brand AMP
- Brand w/23.1% Fed
- Brand w/23.1% Fed & CPI
- Brand w/23.1% Fed & CPI & SR
- Generic WAC
- Brand = WAC
- Brand Net Rebate
- Generic w/ 13.1% Fed

# Flow of Pharmaceutical Funds, Products, and Services



# Increases in Medicaid Transparency

- MCO contract amendments
  - July 2017: MCO report rebates to HCA at the drug level
  - January 2018: MCO report sum of spread pricing

# Questions?