AHIP
America's Health Insurance Plans

AHIP Recommendations to Reduce Drug Prices and Costs

Rising prescription drug costs hurt everyone. From patients who cannot access breakthroughs and consumers who pay higher and higher premiums to taxpayers who fund public programs like Medicaid and Medicare, the consequences are profound. Pharmacy now accounts for approximately 22% of all medical spending. We need effective market-based solutions that deliver real competition, create more consumer choice, and ensure that open and honest drug prices are driven by the value they bring to patients.

Solution #1: Real Competition

- ✓ **Create a Robust Biosimilars Market:** Ensure that providers and patients have unbiased information available to them about the benefits of biosimilars. Address anti-competitive strategies, such as the development of "patent estates," and tactics aimed at delaying the availability of biosimilars. Policies for labeling, naming, and interchangeability should provide clarity, ensure safety, and avoid unnecessary regulatory hurdles.
- ✓ **Reduce Rules and Red Tape to Generic Entry:** Provide FDA with the necessary resources to clear the backlog of generic drug applications, particularly for classes of drugs with no or limited generic competition. Anti-competitive tactics such as "pay for delay" settlements and "product hopping" should be prohibited, and the Inter Partes Review (IPR) process should be preserved. Legislation requiring brand manufacturers to share needed information and samples to promote generic development should be advanced.
- ✓ **Revisit and Revise Orphan Drug Incentives:** Ensure that the Orphan Drug Act's incentives are used by those developing medicines to treat rare diseases – not as a gateway to premium pricing and blockbuster sales beyond orphan indications. In cases of rare diseases for which no effective therapy yet exists, ensure that newly approved drugs are priced in accordance with their efficacy.

Solution #2: Open and Honest Price Setting

- ✓ **Publish Rx Prices, True R&D Costs, and Price Increases:** As part of the FDA approval process, require that manufacturers disclose information regarding intended launch price, use, and direct and indirect R&D costs. After approval, require manufacturer reporting of list price increases over a percentage threshold amount that explains why such price increases are justified.
- ✓ **Limit Third-Party Schemes that Raise Costs:** Examine and address the impact of drug coupons and copay card programs – and related charitable foundations – on overall pharmaceutical cost trends. Ensure that existing protections aimed at prohibiting their use in all federal programs are sufficient.
- ✓ **Evaluate DTC Advertising Impact:** Assess impacts of the growth in direct-to-consumer (DTC) advertising, particularly broadcast advertising, and evaluate the best approaches for conveying information to consumers.

Solution #3: Delivering Value to Patients

- ✓ **Inform Patients on Effectiveness and Value:** Increase funding for private and public efforts to provide information on the comparative and cost-effectiveness of different treatments to physicians and their patients. These tools can help them make appropriate assessments about the value and effectiveness of different treatment approaches, particularly those with very high costs.
- ✓ **Expand Value-Based Formulary Programs:** Promote value-based payments in public programs like Medicare for drugs and medical technologies, based on agreed-upon standards for quality and outcomes.
- ✓ **Reduce Regulatory Barriers to Value-Based Pricing:** Address existing statutory and regulatory requirements (e.g., Medicaid best price) that may inhibit the development of pay for indication and other value based strategies in public programs.