

Federal Healthcare Reform

A discussion on current reform proposals of interest to the National Conference of Insurance Legislators

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Speaker Information

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The Drugscope logo, which consists of the word 'Drugscope' in a white, sans-serif font on a dark blue background. A magnifying glass icon is positioned over the 'o' in 'scope'.



Conflicts of Interest

Dr. Mattingly discloses research funding from the Food & Drug Administration (**FDA**) unrelated to material presented today and spouse is also a full-time employee of the FDA.

Dr. Mattingly is also the founder and CEO of **Drugscope, Inc.** that provides data analysis and research services for Workers' compensation plans.

In the past 12 months, Dr. Mattingly has received consulting fees from the Arnold Foundation and the Pharmaceutical Research & Manufacturers of America (**PhRMA**) related to drug pricing policy. Additionally, Dr. Mattingly was an unpaid advisor to the Centers for Medicare & Medicaid Services (**CMS**) for implementation of drug pricing provisions in the Inflation Reduction Act (IRA).

Today's Discussion

- Brief review health insurance and drug supply chain basics (this ensures we are all speaking the same language!)
- Review of federal legislation:
 - PBM-focused (S.127; S.1339; HR.3561)
 - Drug price-focused (S.1264; S.1114; S.3700)
 - Co-payment capping (S.3700)
- Myth-busting and discussing potential policy impact

Health Insurance

Always start with this equation

$$\text{Premium} = (1 + L_D)(1 - c)px$$

L_D = Loading Factor, includes admin & profit

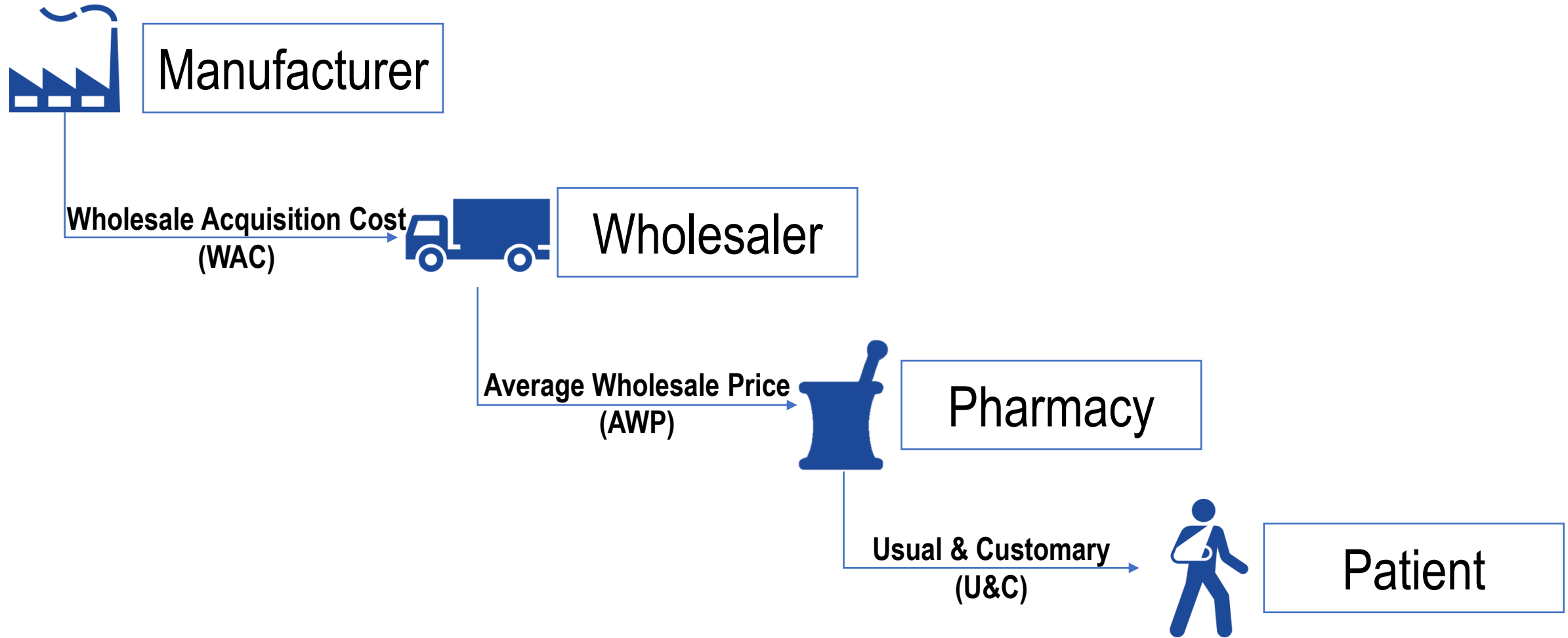
c = coinsurance rate

p = price of health care

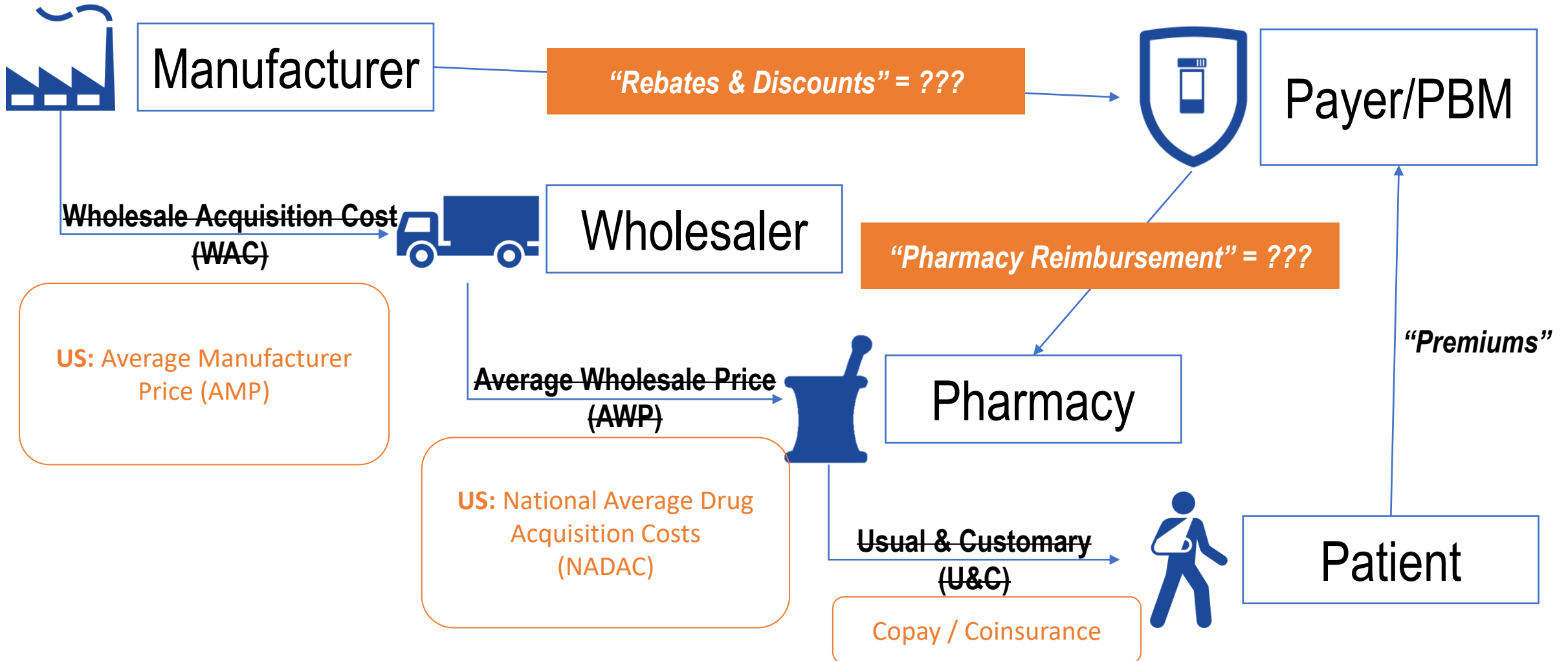
x = units of health care

Sloan FA, Hsieh CR. *Health Economics*. 2012. MIT Press: Cambridge, MA.

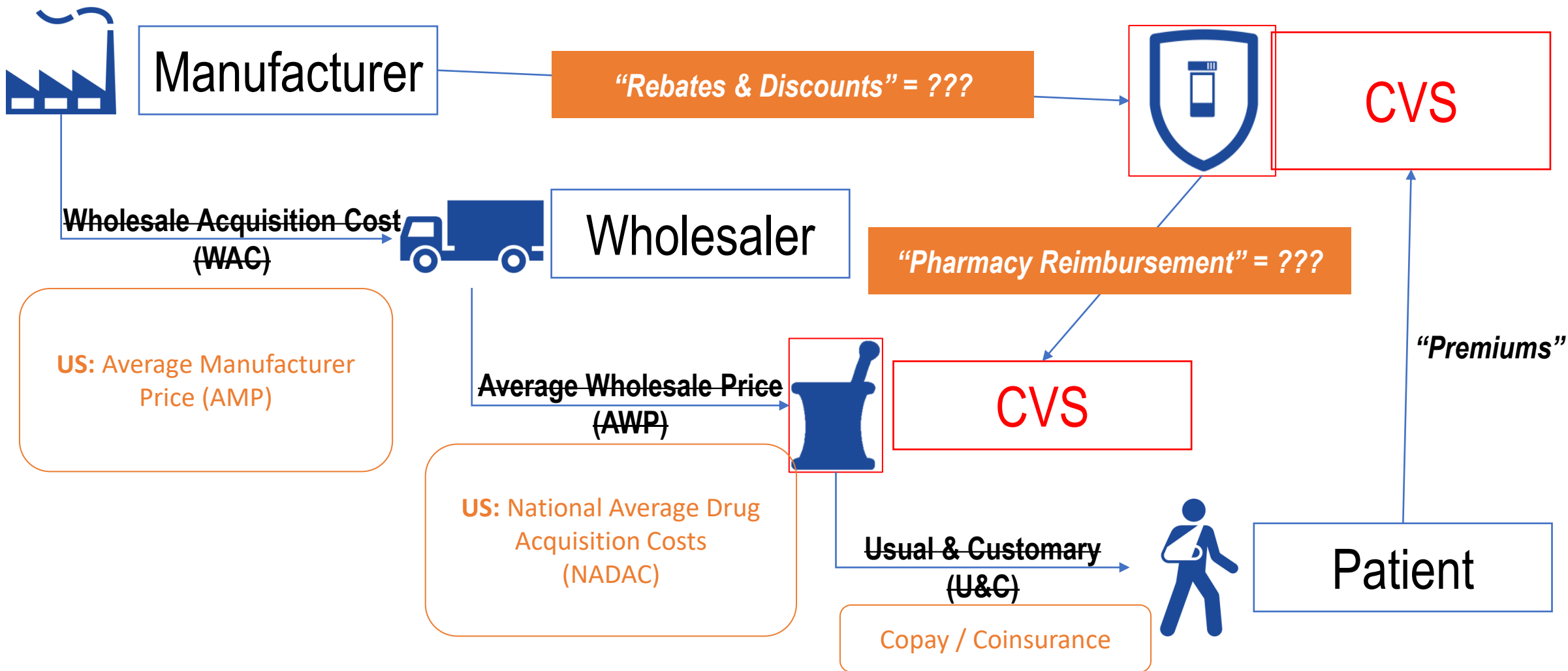
Supply Chain & Drug Pricing Terminology (BASIC)



Supply Chain & Drug Pricing Terminology (REAL)



Supply Chain & Vertical Integration





Federal Legislation on the Horizon

PBM reform, drug price-lowering, and copayment capping

Pharmacy Benefit Manager (PBM)- Focused Legislation

- One thing Democrats and Republicans seem to agree on:
PBMs need reform
- **Similar Provisions:**
 - 100% drug rebate pass-through from PBM to health plans
 - Prohibit "spread pricing"
 - Prohibit "clawback" (DIR fees)
 - Annual reporting (either to FTC or GAO and reporting to Congress)

**S.127 PBM Transparency Act
(Cantwell/Grassley)**

**S.1339 PBM Reform Act
(Sanders/Cassidy)**

**HR.3561 PATIENT Act
(McMorris Rogers/Pallone)**

Drug Price-Focused Legislation

S.1264 SMART Prices Act
(Klobuchar leading* *No Republican co-sponsors*)



Expands the drug price negotiation program in Medicare under the Inflation Reduction Act

S.1114 Expanding Access to Low-Cost Generics Act
(Smith/Braun)



Seeks to reduce the practice of “parking” – when brand manufacturer agrees not to sue the first generic company as long as they delay entry

S.3700 Affordable Insulin Now Act
(Warnock/Kennedy)



Requires plans to cover insulin for no more than \$35/month or “25% of negotiated price” & HHS to reimburse “qualifying entities” for costs

PBM Policy Myths (and Partial Myths)

Myth 1: PBMs are only “*Middlemen*”

FTC Deepens Inquiry into Prescription Drug Middlemen

Agency issues orders to companies affiliated with CVS Caremark, Express Scripts, and Prime Therapeutics as it examines the PBMs' impact on the access and affordability of medicine

Myth 2: Vertical integration is bad

AMA Report Evaluates PBM Competition and Vertical Integration With Insurers

Oct 14, 2022

Laura Joszt, MA

Myth 3: PBMs are not transparent

ECOMMERCE · Published January 21, 2022 2:18am EST

Mark Cuban launches online pharmacy, claims it's 'radically transparent'

The company said it will purchase its drugs straight from manufacturers to lower the prices

By Ken Martin | FOXBusiness |



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Drug Price Myths (and Partial Myths)






Myth 1: The US pays too much for prescription drugs


Myth 2: Copayment caps lower prices

Myth 3: Price transparency will lower prescription drug costs

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Why Prescription Drug Prices in the US Are So High

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A 2020 government report on insulin prices found that in 2018, the average cost of a standard unit of insulin was \$8.81 in 32 wealthy...

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Durbin, Grassley Introduce Bill Requiring Price Transparency In Prescription Drug Advertisements

Questions?