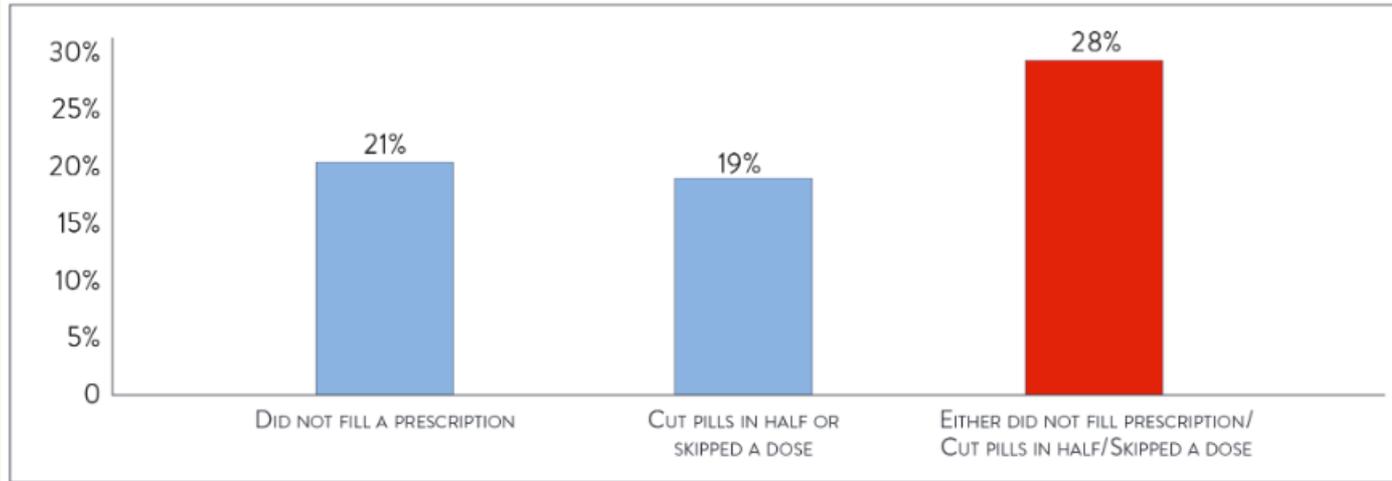


Prescription Drug Affordability Board

Issue: Illinoisans Cannot Afford Their Medication

Figure 2

Did not Fill a Prescription, Cut Pills in Half or Skipped a Dose Due to Concerns About Cost



Source: 2020 Poll of Illinois Adults, Ages 18+, Altarum Healthcare Value Hub, Altarum's Consumer Healthcare Experience State Survey

Drugs don't work if people can't afford them.

17 million Americans will be affected by healthcare cuts.

In IL, Medicaid Covers:



3.4 million
Illinoisans are
enrolled in
Medicaid

772,233 adults
are enrolled in the
ACA Medicaid
Expansion

Solution: Prescription Drug Affordability Board

The PDAB is an independent body that reviews affordability challenges for Illinois consumers and has the ability to set upper payment limits (UPLs) on prescriptions. The goal of a PDAB is to increase access to medication and generate savings for consumers and the State.



Five Member Board



Stakeholder Council



Full-Time Staff

We need a solution that affects **every aspect of the supply chain** and results in **savings for Illinois patients**

Illinois PDAB Model: Medicare Rate-Referencing and Savings Pass Through

Medicare Rate-Referencing: All drugs negotiated by Medicare will also have UPLs set at the same level as the negotiated-price

Savings Pass Through: Any savings to health plans and PBMs will be passed on to patients through lower out-of-pocket costs, lower premiums

Goals of a Prescription Drug Affordability Board

Increase Access to Medication

Too many Illinoisans are either not filling their prescriptions, or rationing their medication due to cost

Create Savings

- Lower out-of-pocket costs for patients
- Lower premium costs
- Save the state money through savings on state-purchased medications and state-employee health plans

What are Upper Payment Limits (UPLs)?

- A UPL is the maximum reimbursement rate above which purchasers throughout the state may not pay for prescription drug products.
- UPLs apply to the entire supply chain, beginning with a wholesaler's purchase from a manufacturer
- UPLs are similarly used in existing state practices for utilities and insurance premiums

The goal of a UPL is to improve manufacturer access to the market and patient access to medication.

Example: Medicare- Negotiated Drugs

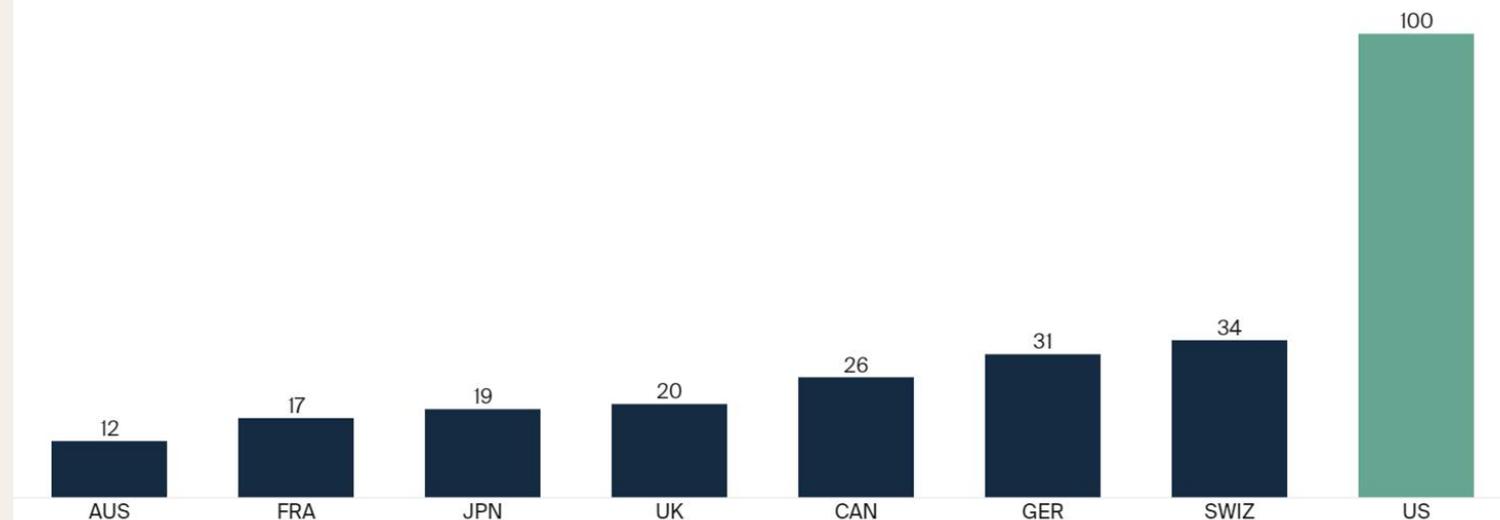
All of these drugs would have a UPL set at the Medicare-negotiated rate

Drug Name (Manufacturer)	Common Conditions Treated	Avg. Spending Per Beneficiary
Eliquis (Bristol Myers Squibb)	Prevention and treatment of blood clots	\$4,448
Jardiance (Boehringer Ingelheim, Eli Lilly)	Diabetes; heart failure	\$4,487
Xarelto (Johnson & Johnson)	Prevention and treatment of blood clots; reduction of risk for patients with coronary or peripheral artery disease	\$4,511
Januvia (Merck)	Diabetes	\$4,703
Farxiga (AstraZeneca)	Diabetes; heart failure; chronic kidney disease	\$4,091
Entresto (Novartis)	Heart failure	\$4,915
Enbrel (Amgen)	Rheumatoid arthritis; psoriasis; psoriatic arthritis	\$58,148
Imbruvica (Johnson & Johnson, AbbVie)	Blood cancers	\$133,178
Stelara (Johnson & Johnson)	Psoriasis; psoriatic arthritis; Crohn's disease; ulcerative colitis	\$119,951
Fiasp; Fiasp Flextouch; Fiasp PenFill; NovoLog; NovoLog FlexPen; NovoLog PenFill (Novo Nordisk)	Diabetes	\$3,316

EXHIBIT 1

For a basket of the 10 selected drugs in 2021, the price in the U.S. is three to eight times the price in every comparison country.

Laspeyres price index for the basket of 10 drugs, with the U.S. as the base country



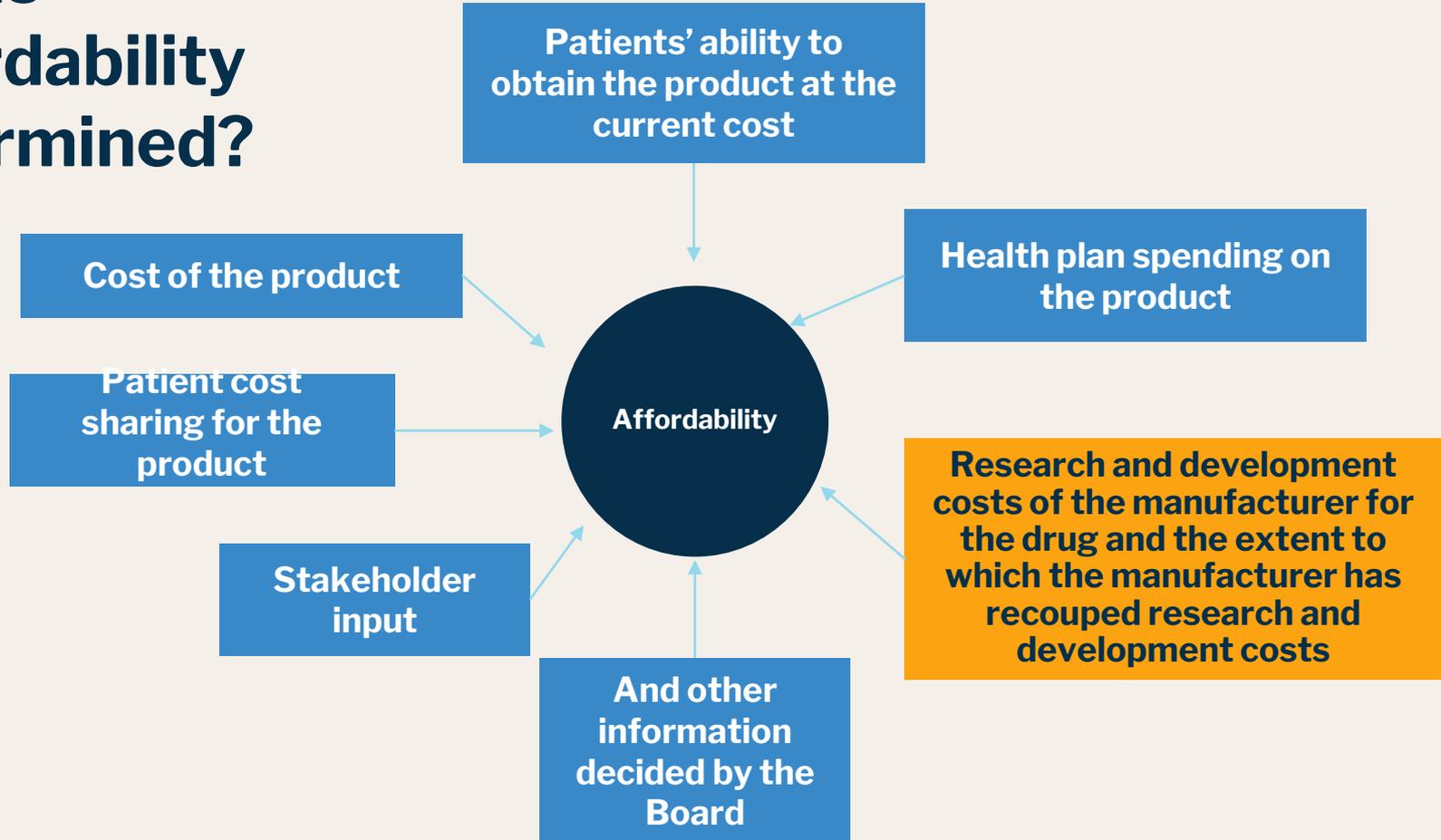
 Download data

Notes: The [Laspeyres price index](#) is an index used to measure the price of a basket of goods or services consumed in a given base period. In this case, it represents the retail prices of the basket of 10 drugs eligible for negotiation in any of the given comparator countries relative to the U.S. in USD in 2021. See "How We Conducted This Study" for more details.

Data: IQVIA, annualized 2021 estimates.

Evan D. Gumas et al., "How Prices for the First 10 Drugs Up for U.S. Medicare Price Negotiations Compare Internationally," chartpack, Commonwealth Fund, Jan. 4, 2024.
<https://doi.org/10.26099/szw4-d082>

How is Affordability Determined?



Factors That Could Be Considered to Set a UPL

What is the current level of discounting for the drug in market?

- Existing in-state discounts
- Estimated US commercial market discounts, FFS and VA discounts

What rate would increase access to the medication so that it is affordable for Illinoisans?

- Work with Stakeholder Council to determine how much a UPL would expand access
- Determine how much is currently spent on therapeutic alternate or other treatment for the disease – all payers and state purchasers
- Assess unmet need and project increase in access at considered UPL

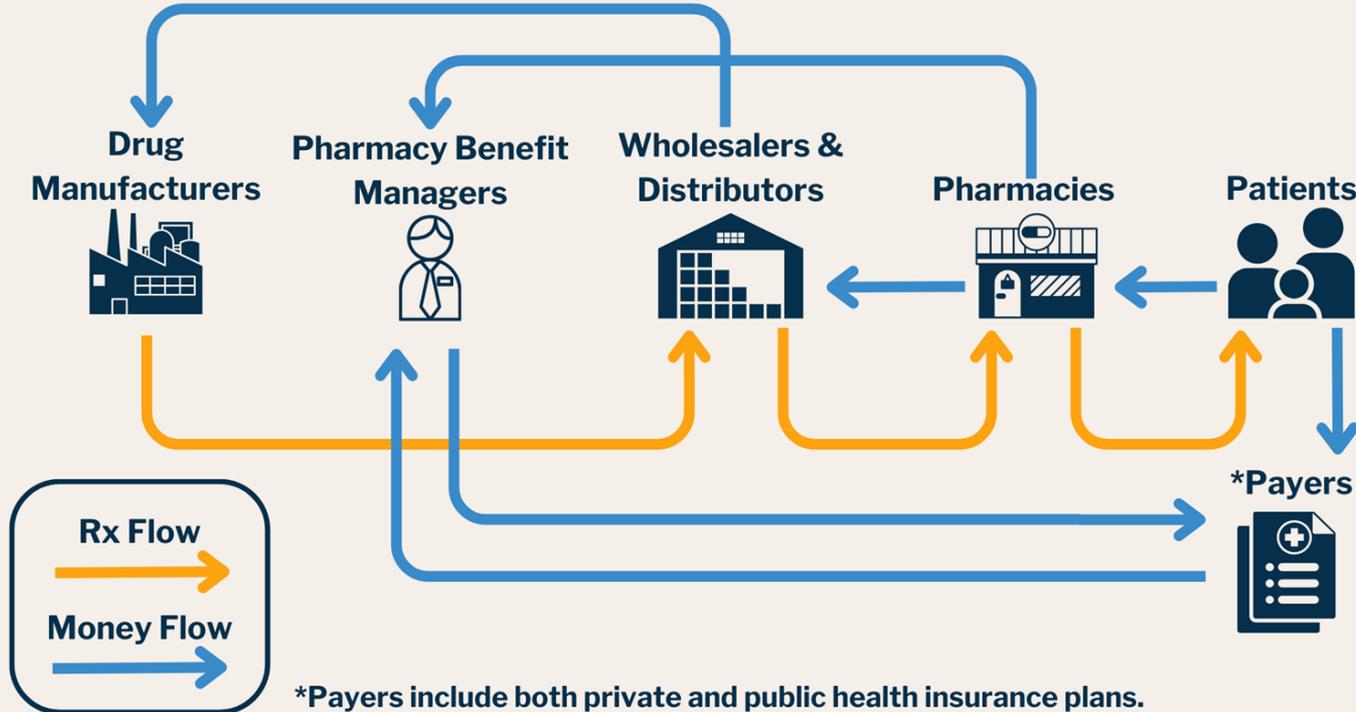
What is the Medicare-negotiated price? (if applicable)

- For drugs being negotiated by Medicare, HB4472/SB3108 would automatically set the UPL at the Medicare-negotiated price.

What Happens After a UPL is Set?

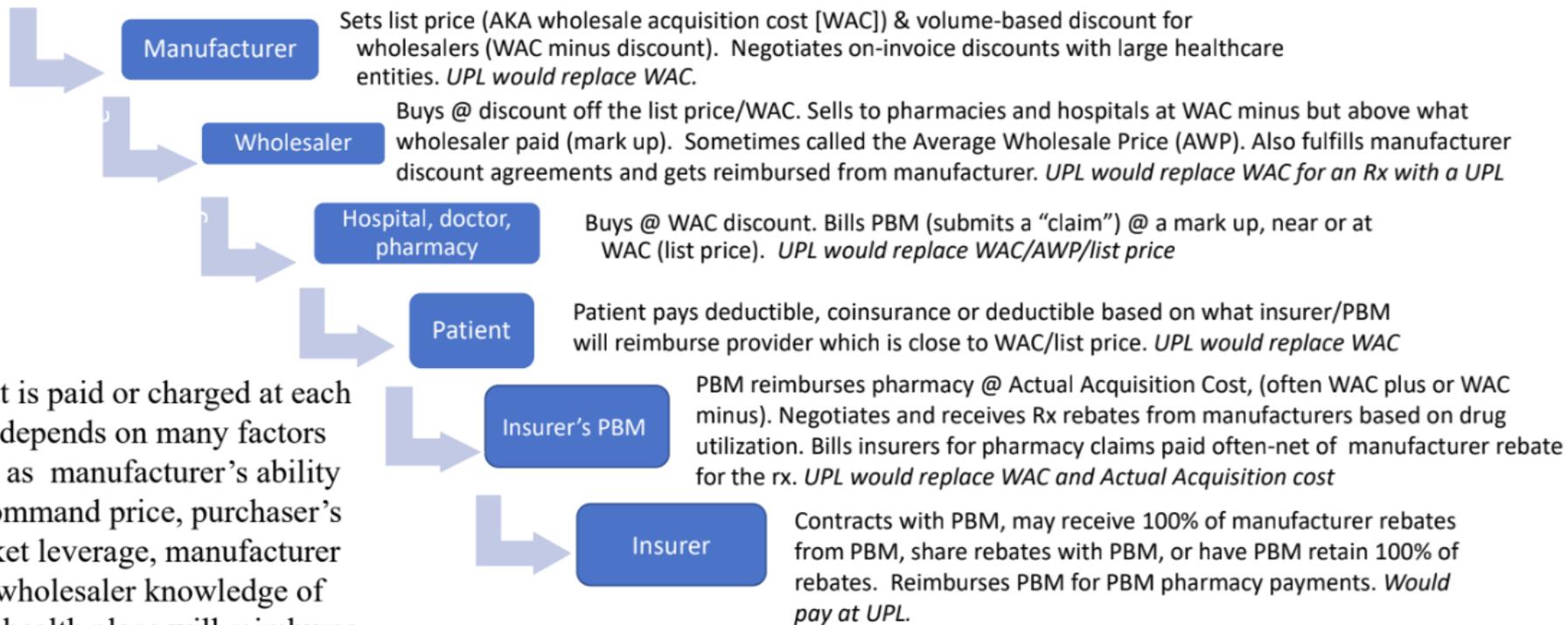
- Bill text: *The upper payment limit applies to **all purchases and payer reimbursements** of the prescription drug product intended for use by individuals in the State, in person, by mail, or by other means.*
- **A drug cannot be purchased or billed for more than the UPL at any point in the supply chain.**
- UPLs would apply to all state-licensed entities involved in purchasing and billing for prescription drugs, including wholesalers, pharmacies, hospitals, nursing homes, clinics, state and local governments, and health plans.
- State licensed pharmacies, physicians, hospitals, prisons, etc. buy from wholesalers at no more than the UPL and bill consumers and payers no more than UPL
- State licensed payers (and ERISA plans since Rutledge decision) can only reimburse providers at no more than the UPL for product reimbursement part of payment (dispensing fees not included UPL)

How a PDAB Affects the Rx Supply Chain



When a Prescription Drug Affordability Board (PDAB) sets an Upper Payment Limit on a medication, it is applied across the entire Rx supply chain - ensuring that costs aren't simply transferred over to someone else. Upper Payment Limits guarantee that everyone, from wholesalers to patients, pays only what is fair.

Basics of Rx Acquisition Cost and Sale Prices



What is paid or charged at each step depends on many factors such as manufacturer's ability to command price, purchaser's market leverage, manufacturer and wholesaler knowledge of how health plans will reimburse pharmacies and others. UPL would replace the WAC for Rx with a UPL

Note: Insurers and PBMs are not part of supply chain. They reimburse providers for drugs dispensed to enrollees. They do not buy/purchase/own the drug product dispensed to enrollees. There are corporate relationships that may muddy the water somewhat for national and global conglomerates.

Supply Chain

Wholesalers

Wholesalers may only purchase a drug from a manufacturer at or below the UPL

Wholesalers may restructure their contracts to be Illinois specific to adhere to UPL requirements (not required)

This ensures that no entity in the supply chain is “underwater” by obtaining a drug for more than they are reimbursed

PBMs/Insurers

PBM/insurers reimburse the provider (pharmacy, hospital, or other provider) no more than the UPL

Savings resulting from a UPL must be passed through and reported on:

Any savings generated by a health plan as a result of an upper payment limit established by the Board shall be used to reduce costs to consumers, prioritizing the reduction of out-of-pocket costs for prescription drugs.

Each health plan shall submit to the Board an annual report describing the savings achieved as a result of implementing upper payment limits and how those savings were used to reduce costs to consumers.

Health plans could share information on drugs driving premium costs to the PDAB

Hospitals, Providers, Pharmacy

Hospitals, doctors, and pharmacies will purchase from wholesalers at no more than the UPL

State licensed independent pharmacies are reimbursed at the UPL

Patients/Consumers

Patients on drugs with UPLs will see lower co-pays (when possible, depending on formulary structure)

Consumers paying for health insurance premiums will see benefits from lower drug spending

State and local government spending on drugs with UPLs will decrease, benefitting taxpayers

Manufacturers

Manufacturers benefit from increased market access (at a lower cost)

Manufacturers can continue to participate in the Illinois market, as they participate in ALL other international markets where drug costs are regulated

Manufacturers can continue to negotiate rebates with PBMs

Manufacturers can provide information on rebates for the PDAB to consider

Questions?

Example: Jardiance (Type 2 Diabetes)

Too many people can't afford their medication. A proposal in Illinois could help lower drug prices.

Illinois lawmakers should create a board that could review the cost and affordability of prescription drugs, a doctor at the University of Chicago writes.

By Dr. Anthony D. Douglas II | Feb 9, 2024, 6:00am CST

“[My father] told me about a newer medication that his doctor had prescribed called Jardiance that cost him \$660 a month to fill. Fortunately for him, the doctor’s office had enough samples of the medication to get him started. After the samples ran out, he had a candid conversation with his physician about the drug’s high cost and was switched to a less effective medication.”

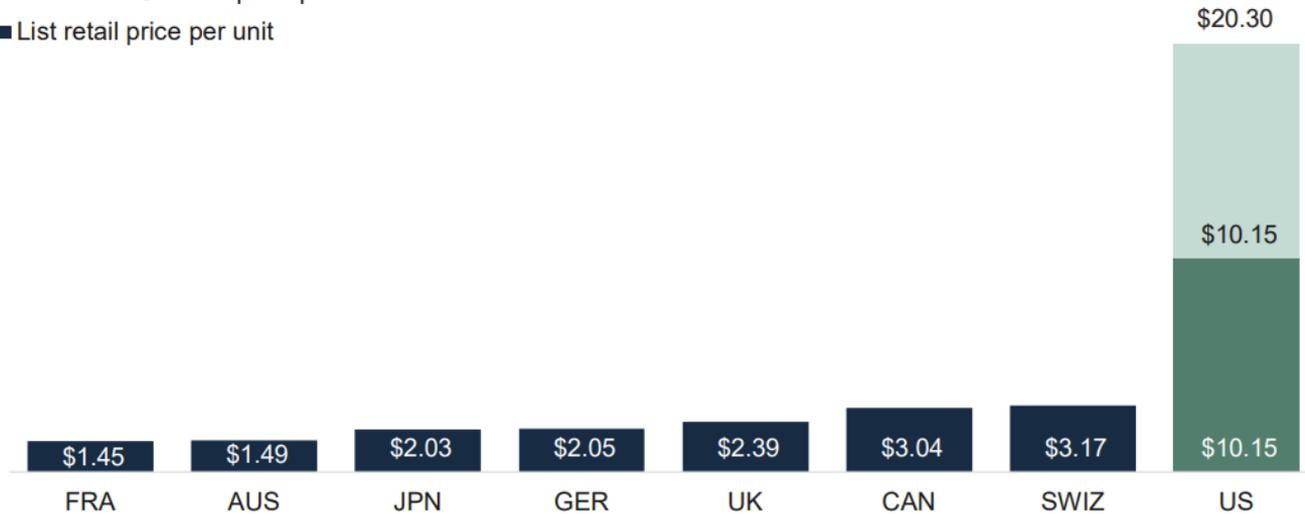
- Dr. Anthony Douglas, Trauma Surgeon, UChicago Medicine

EXHIBIT 7

The estimated net price of Jardiance in the U.S. is between three and seven times higher than the list retail price in peer countries.

Jardiance price per dosage unit

- Estimated U.S. rebate
- Estimated U.S. net price per unit
- List retail price per unit



EXAMPLE: Jardiance Cost Across the Supply Chain

	MANUFACTURER	WHOLESALER	HOSPITAL, DOCTOR, PHARMACY	INSURER'S PBM	INSURER	PATIENT
PRE-UPL	List price: \$653 Wholesale Acquisition Cost (WAC)	Buys at WAC -5% PAYS \$620.35 Sells at WAC -3% CHARGES \$633.41	Buys at WAC -3% PAYS \$633.41 Bills PBM near or at WAC minus patient co-pay BILLS: \$391.80	Reimburses pharmacy near WAC PAYS \$391.80 Bills insurer WAC or less, depending on rebate pass-through BILLS \$391.80	PAYS PBM \$391.80	Can be subject to cost-sharing at ~40% of total cost (varies widely) PAYS \$261.20

EXAMPLE: Jardiance Cost Across the Supply Chain

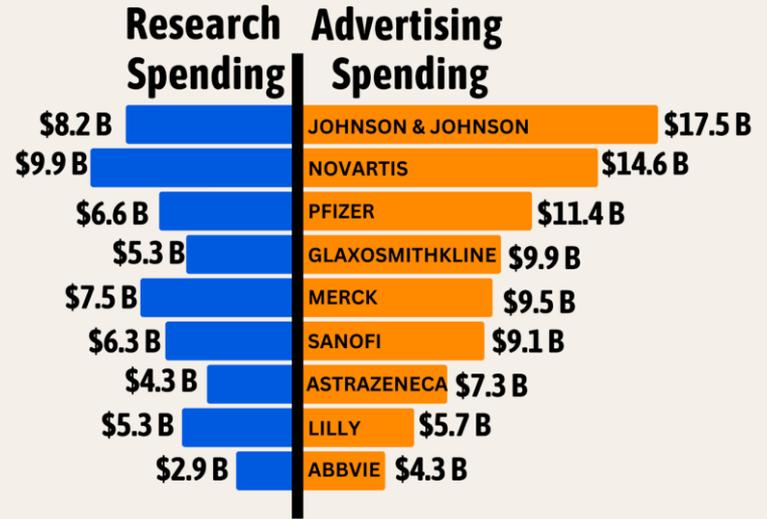
	MANUFACTURER	WHOLESALER	HOSPITAL, DOCTOR, PHARMACY	INSURER'S PBM	INSURER	PATIENT
PRE-UPL	List price: \$653 Wholesale Acquisition Cost (WAC)	Buys at WAC -5% PAYS \$620.35 Sells at WAC -3% CHARGES \$633.41	Buys at WAC -3% PAYS \$633.41 Bills PBM near or at WAC minus patient co-pay BILLS: \$391.80	Reimburses pharmacy near WAC PAYS \$391.80 Bills insurer WAC or less, depending on rebate pass-through BILLS \$391.80	PAYS PBM \$391.80	Can be subject to cost-sharing at ~40% of total cost (varies widely) PAYS \$261.20
UPL-APPLIED	UPL: \$326.50 Set at 50% below WAC (example)	Buys at UPL -5% PAYS \$310.18 Sells at UPL -3% CHARGES: \$316.70	Buys at UPL -3% PAYS \$316.70 Bills PBM near or at UPL minus patient co-pay BILLS: \$195.90	PAYS \$195.90 Bills insurer UPL or less, depending on rebate pass-through BILLS \$195.90	PAYS PBM \$195.90	Can be subject to cost-sharing at ~40% of total cost (varies widely) PAYS \$130.60 to pharmacy
					Health Plan Savings: \$195.50	Patient OOP Savings: \$130.60

Addressing Opposition: Patient Access

- **Only positive changes to rebate structure**
 - Janssen Transparency Report claims that PBMs may move drugs with UPLs to higher tiers (higher co-pays) because of reductions in rebates. Our pass-through language prevents PBMs from doing that, and the emphasis on patient cost-sharing would encourage PBMs to move drugs to *lower* tiers.
- **Manufacturers will continue to sell drugs**
 - Drug manufacturers participate in all non-US markets where rates are set on drugs in some way – at a profit
 - IL consumer protections that require marketed products to be sold

Addressing Opposition: R&D Investments

- R&D investments are important, amendment added to explicitly consider R&D recoupment
- Lowering cost of drugs will not substantially affect R&D
 - PDAB is not designed to affect all drugs
- Manufacturers spend a lot more on advertising and corporate overhead than R&D



The Washington Post, Big Pharmaceutical Companies are Spending Far More on Marketing than Research; February 11, 2015

Additional UPL Savings Examples

An example of UPL savings based on current market price concessions would be, Humira and Enbrel -- two widely prescribed treatments for rheumatoid arthritis and other autoimmune disorders. The retail price for these drugs was about \$65,000/year two years ago. At that time, the average rebate in the private market was estimated to be between 30-40% and is probably higher today. If the UPL could be 35% off the list price (\$42,250), health plans could estimate potential savings using two calculations: cost of claims paid calculation and net cost calculation. First, to estimate savings on cost of claims paid, state employer plans could calculate pharmacy claims payments for these drugs and assume a 35% reduction. To estimate net cost savings, the employee plan should compare its net (post rebate) cost of these drugs relative to a UPL of WAC-35%.

Consider also possible savings for the newer diabetes insulins, Lantus and Levemir, which retailed at about \$200 and \$400/pen two years ago. The average private market rebate was estimated to be 60-70%. If the UPL dropped the acquisition cost of these products by 70%, that would be a significant savings in claims payments, a significant savings in the supply chain and a significant savings for consumers at the pharmacy counter. A UPL at this level could be a significant net cost savings to state employee plans.

A UPL of even 10%-12% below WAC for newer cancer drugs would be significant when manufacturer rebates are scarce in the market. A UPL of WAC-25% for costly multiple sclerosis drugs could make a large impact on state employee plans and consumers. A PDAB could also decide to capture deeper price concessions as needed to expand patient access. A PDAB could be well positioned to evaluate the range of discounts in setting UPLs to manage affordability and increase access to costly drugs in the state.

Stock Buybacks and Dividends

“Stock buybacks enrich investors by reducing the number of outstanding shares in a company. The fewer shares there are in investors’ hands, the more each share is worth. When a company buys back and cancels 10% of its shares, that makes each share still held by an investor or insider rise in value, as it represents a greater claim on the company’s earnings. Spending money this way allows companies to enrich shareholders silently, as well as the executives often paid in stock. Dividends are another way of returning cash to investors. Each fiscal quarter, publicly traded companies typically issue fixed dividends to shareholders that rise when business is good and shrink or get suspended when business is bad. Drug companies spend billions on stock buybacks and dividends to shareholders each year.”

Source: Public Citizen Report 2024

Table 1: Spending by Manufacturers of Drugs Selected for Medicare Price Negotiation (in dollars)

Drug Company	Drug Name	Dividends	Stock Buybacks	Exec. Comp.	Dividends, Stock Buybacks, & Exec. Comp.	R&D
AbbVie	Imbruvica	10.043 billion	1.487 billion	71.91 million	11.602 billion	6.510 billion
Amgen	Enbrel	4.196 billion	6.360 billion	50.25 million	10.606 billion	4.434 billion
AstraZeneca	Farxiga	4.364 billion	--	22.27 million	4.386 billion	9.762 billion
BMS	Eliquis	4.634 billion	8.001 billion	48.04 million	12.683 billion	9.509 billion
Pfizer	Eliquis	8.983 billion	2.000 billion	107.23 million	11.090 billion	11.428 billion
JNJ	Stelara, Xarelto, Imbruvica	11.682 billion	6.035 billion	45.19 million	17.762 billion	14.603 billion
Bayer AG	Xarelto	2.087 billion	--	23.26 million	2.111 billion	6.911 billion
Merck	Januvia	7.012 billion	--	60.46 million	7.072 billion	13.548 billion
Novartis	Entresto	7.506 billion	10.652 billion	51.75 million	18.210 billion	9.996 billion
Novo Nordisk	Fiasp/Novolog	3.575 billion	3.403 billion	36.84 million	7.016 billion	3.398 billion
Eli Lilly	Jardiance	3.536 billion	1.500 billion	44.48 million	5.080 billion	7.191 billion
Total		67.619 billion	39.438 billion	561.68 million	107.619 billion	97.290 billion