

# Overview of MHDO's First Annual Prescription Drug Pricing Transparency Report

Presented to the Joint Standing Committee on Health Coverage, Insurance and Financial Services

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## MHDO's Purpose

- To create and maintain a useful, objective, reliable and comprehensive health information data warehouse that is used broadly to improve the health of Maine citizens, **and**
- To promote transparency of the cost and quality of healthcare **including prescription drug cost information**, in the State of Maine by procedure, payer, facility and provider.

# Prescription Drug Data Sets

- All Payer Claims Data (includes medical and prescription drug claims)
- Prescription Drug Cost Information from manufactures, wholesale drug distributors and pharmacy benefits managers
  - First year of data collected was for NDC's that hit one of the triggers for the time-period September 2019-December 2019. Year two will be based on CY 2020.

# Pharmacy Paid Amount as a % of Medical Paid, 2009-2019

(as reported in  
MHDO's APCD)

## Commercial Insurance

2009: 23%

2010: 23%

2011: 24%

2012: 24%

2013: 27%

2014: 28%

2015: 29%

2016: 39%

2017: 36%

2018: 36%

2019: 35%

Select a date range to see what data are available.

January 2009  March 2019

### What volume of claims are available?

Type of Insurance	Dental	Medical	Pharmacy
Commercial Insurance <sup>1</sup> †	8,162,847	67,294,571	68,175,846
MaineCare (Medicaid)	1,835,109	109,529,805	54,375,156
Medicare		70,644,341	
Medicare Advantage*		20,205,400	85,518,060

Please note that claims that were incurred in more than one month may be counted more than once. This table is meant to provide an estimate of the volume of claims for the selected period.

\*Medicare Advantage category includes a large proportion of Medicare Part D in the pharmacy category. All of these Part D claims are paid through a commercial plan and may not necessarily be part of a Medicare Advantage plan.

### How much was paid?

Type of Insurance	Dental	Medical	Pharmacy
Commercial Insurance	\$2,263,093,864	\$24,574,076,104	\$7,060,798,183
MaineCare (Medicaid)	\$310,752,478	\$20,018,139,855	\$2,463,758,046
Medicare		\$20,757,481,360	
Medicare Advantage*		\$4,843,362,159	\$5,990,728,542

Please note that the paid amount includes the total cost for the insurer and any out-of-pocket expenses (e.g., prepaid for medical and copay, coinsurance, and deductible amounts for dental, medical and pharmacy).

\*Medicare Advantage category includes a large proportion of Medicare Part D in the pharmacy category. All of these Part D claims are paid through a commercial plan and may not necessarily be part of a Medicare Advantage plan.

Source: <https://mhdo.maine.gov/tableau/data.cshtml>

# Public Law Chapter 406

## An Act to Promote Prescription Drug Price Transparency

- MHDO reports annually on the following information about prescription drugs, both brand name and generic:
  - The 25 most frequently prescribed drugs in the State
  - The 25 costliest drugs as determined by the total amount spent on those drugs in the State
  - The 25 drugs with the highest year-over-year cost increases as determined by the total amount spent
  - Reports can be found here: <https://www.comparemaine.org/?page=rx-costs>

Data Source: MHDO All Payer Claims Data

# Top 25 Report Example-Costliest Drugs

July 2019 – June 2020

Brand or Generic				Payer Type			
Brand or Generic				Overall			
Rank	NDC	Drug Name	Drug Class(es)	Number of Prescriptions	Number of Prescription Users	Cost	Cost Per Prescription
<b>Top 25 Overall</b>				<b>453,620</b>	<b>85,436</b>	<b>\$572,925,787</b>	
<b>State Total</b>				<b>13,976,155</b>	<b>852,961</b>	<b>\$2,307,941,169</b>	
1	00074055402	Humira Pen	Disease-modifying Antirheumatic Drugs; Gl..	11,069	1,755	\$75,014,465	\$6,777
2	00003089421	Eliquis	Antithrombotic Agents	70,566	16,058	\$55,740,266	\$790
3	57894006103	Stelara	Disease-modifying Antirheumatic Drugs; Im..	1,951	485	\$44,996,332	\$23,063
4	00074433902	Humira Pen	Disease-modifying Antirheumatic Drugs; Gl..	5,060	836	\$35,451,705	\$7,006
5	64406000602	Tecfidera	Immunomodulatory Agents	2,632	345	\$25,917,310	\$9,847

# Public Law Chapter 470

## An Act to Further Expand Drug Price Transparency

The Maine Health Data Organization (MHDO) is required by Maine State law to collect data from prescription drug manufacturers, wholesale drug distributors and pharmacy benefits managers (referred to as reporting entities) as described in MHDO Rule Chapter 570, Uniform Reporting System for Prescription Drug Price Data Sets.

# Public Law Chapter 470

## An Act to Further Expand Drug Price Transparency

Law requires a prescription drug manufacturer to notify the MHDO when the manufacturer in the previous year has:

- Increased the wholesale acquisition cost of a brand-name drug by more than 20% per pricing unit;
- Increased the wholesale acquisition cost of a generic drug that costs at least \$10 per pricing unit by more than 20% per pricing unit; or
- Introduced a new prescription drug for distribution in this State when the wholesale acquisition cost is greater than the amount that would cause the drug to be considered a specialty drug under the Medicare Part D program.



# Public Law Chapter 470

## An Act to Further Expand Drug Price Transparency

MHDO must submit an annual report to the HCIFS committee beginning November 1, 2020. The report should address:

- Information on Trends in the Cost of Prescription Drugs
- Analysis of Manufacturer Prices and Price Increases
- Major Components of Prescription Drug Pricing Along the Supply Chain
- Impacts on Insurance Premiums, Cost Sharing, and
- Other Information the MHDO Determines is Relevant to Providing Greater Consumer Awareness of the Factors Contributing to the Cost of Prescription Drugs in the State of Maine

**The report may not disclose information attributable to any particular drug, manufacturer, wholesale drug distributor or pharmacy benefits manager.**



# Public Law Chapter 470

## An Act to Further Expand Drug Price Transparency

Focus of our first annual report is on describing the entities in the pharmaceutical supply chain, their roles and the financial transactions that occur within the supply chain using both MHDO prescription drug claims data and drug pricing component data.



# Public Law Chapter 470

## An Act to Further Expand Drug Price Transparency

As of December 31, 2020, there are 337 manufacturers, 182 wholesale drug distributors and 32 pharmacy benefits managers registered with MHDO.

# Public Law Chapter 470

## An Act to Further Expand Drug Price Transparency

- For the first year (September 19, 2019 – December 31, 2019), MHDO received notifications from 65 manufacturers for 192 NDCs.
- Of these NDCs, 13 fell into the category for brand name drug price increases; 56 for generic drug price increases and 123 for newly introduced drugs.

# Public Law Chapter 470

## An Act to Further Expand Drug Price Transparency

### **Manufacturers**

- Based on language in Rule Chapter 570, MHDO limits manufacturer price component data reporting to NDCs that met one of the triggers for manufacturer notification to MHDO.
- MHDO notified 14 manufacturers, requesting data for a total of 35 NDCs. Of these NDCs, 0 fell into the category for brand name drug price increases; 6 for generic drug price increases and 29 for newly introduced drugs.

# Public Law Chapter 470

## An Act to Further Expand Drug Price Transparency

### **Wholesale Drug Distributors and Pharmacy Benefit Managers**

MHDO requested pricing component data for 218 NDCs from wholesale drug distributors (wholesaler) and pharmacy benefits managers (PBM). The NDCs included the 35 NDCs for which data was requested from manufacturers as well as:

- NDCs that appeared on at least two of the lists of the MHDO's top 25 Drug Reports during the July 1, 2018 to June 30, 2019 comparison period – 13 NDCs
- NDCs included in the same drug product family as the NDCs above – 170 NDCs

A drug product family is a group of drug products that share the same generic name and dosage form.

# Key Findings

Generic drug prices rose at a higher percentage rate than brand drugs as an overall average; however, a majority of brand drugs are priced high enough that higher percentage increases for generic drugs do not result in an erosion in the discount afforded by generic drugs.

Continued efforts to convert to generic drugs when available will provide additional cost savings to Mainers.

The pharmaceutical supply chain is complex with steps that include physical product acquisition as well as transactional elements triggered by contract events between participants.

The amount that a pharmacy is reimbursed by a commercial payer can vary greatly from one product to another depending on the amount that the Average Wholesale Price (AWP) – the typical contract price basis – is marked up from Wholesale Acquisition Cost (WAC).

# Continued

For NDCs reviewed by MHDO:

PBMs, on average, retained payments from payers in the form of spread and/or administrative fees at a rate of approximately 11% over what PBMs reimbursed to pharmacies.

PBMs, on average, received rebates from manufacturers representing approximately 14% of the average WAC amount. Of this amount, approximately 79% was passed through to payers.

The average amount paid by commercial payers (including member cost share) after rebates for a given drug product was approximately 77% of WAC.

The consumer share of total costs after the application of rebates was approximately 27% for commercial claims.



# Continued

## **Factors Contributing to the Cost of Prescription Drugs**

MHDO requested and received a very limited data set from manufacturers for the 2019 reporting period. It is expected that future years' data submissions will allow for increased analysis in this area. Other states with similar price transparency legislation have examined these factors in more detail. A review of increases in wholesale acquisition costs data submitted by manufacturers to the California Office of Statewide Health Planning and Development for calendar year 2019 showed the most common manufacturer cost increase rationale included:

- Changes in market dynamics / conditions

- Clinical value of the product

- Costs of improvements to manufacturing

- Increased operating costs

- Ongoing research and development

- Costs of increased rebates in the supply chain to ensure product availability

# Pharmaceutical Supply Chain

The pharmaceutical supply chain is complex with steps that include physical product acquisition as well as transactional elements triggered by contract events between participants. A summary of major supply chain components and related findings are described in detail in the full report:

**Primary entities in the pharmaceutical supply chain include:**

**Manufacturers** – entities that produce and/or repackage drug products for which they set the WAC value.

**Wholesale Drug Distributors** – entities that distribute products, of which they are not the manufacturer, to non-consumer entities. Wholesalers acquire the products they distribute from manufacturers and later sell the products to pharmacies at market prices.

# Continued

**Pharmacies** – entities that fill patient prescriptions using drug products acquired from wholesalers.

**Pharmacy Benefits Managers (PBM)** – third party administrators of prescription drug programs for payers with major duties including development and management of payer drug formularies, negotiation of contract pricing between payers and pharmacies, and negotiation of rebates from manufacturers for products administered on behalf of payers.

**Commercial Payers** – Providers of health plans and insurance coverage for enrolled members. Payers establish contracted rates with pharmacies and cost sharing terms for the plans they administer.

# Supply Chain – Cash Flow

Following is an example of the steps, costs, and participants involved in dispensing a single NDC:

- Manufacturer sells product to Wholesaler at a WAC price of \$1,972.66
- Wholesaler sells product to Pharmacy for \$1,474.19
- Manufacturer rebates Wholesaler \$509.95
- Wholesaler rebates Pharmacy \$119.37
- Consumer has prescription filled
  - Consumer pays Pharmacy \$441.44
  - PBM pays Pharmacy \$1,279.05
  - Payer pays PBM \$1,438.08
- Manufacturer rebates PBM \$279.50
- PBM rebates Payer \$220.78