

Coalition for Affordable Prescription Drugs
Statement for the Record

U.S. House of Representatives Committee on Energy and Commerce, Subcommittee on Health

December 13, 2017

The Coalition for Affordable Prescription Drugs (CAPD) appreciates the opportunity to submit the following statement for the record.

The Coalition for Affordable Prescription Drugs (CAPD) represents a diverse group of large employers, labor unions, health plans, public sector employees and retirees, and other stakeholders who partner with pharmacy benefit managers (PBMs) to help manage costs so that they can continue to offer affordable, accessible health and drug benefit coverage to their employees and members.

We appreciate Dr. Burgess's convening of this hearing on the very real impact rising drug prices have on patients, employers, taxpayers, and our health care system. A new study shows that Americans believe that lowering drug prices should be a top priority for Congress.¹

An important fact in the debate over high drug prices is this: drug manufacturers -- and drug manufacturers alone -- set the price for prescription medicines.

We are fortunate to live in a time of unprecedented medical breakthroughs. Manufacturers are developing treatments and cures for diseases like Hepatitis C that improve and extend the lives of patients. We all want patients to have access to these medicines, but the innovative power of these medicines is rendered moot when patients are unable to afford them because of the price set by manufacturers.

The most impactful change to make medicines more affordable for patients would be for manufacturers to price medicines responsibly. Yet, manufacturers' prices continue to rise,² increasing by more than nine percent in 2016 alone, following double-digit increases every year since 2012.

Year	List price increase
2012	10.0%
2013	11.4%
2014	13.7%
2015	12.0%

¹ <https://www.politico.com/f/?id=00000160-2734-d0c8-a9eb-2ff71c200000>

² <http://www.imshealth.com/en/thought-leadership/quintilesims-institute/reports/medicines-use-and-spending-in-the-us-review-of-2016-outlook-to-2021>

2016	9.2%
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It is important to realize that the prices set by manufacturers are the starting point. Pharmacy benefit managers (PBMs) use their size and scale to negotiate the lowest net price for prescriptions and drive down costs on behalf of employers, unions and other health care purchasers.

Despite drug manufacturers setting higher and higher prices, pharmacy benefit managers have kept the net prices that their clients pay steady, increasing only 3.5 percent the same year³ that manufacturer list prices rose 9.2 percent. That difference represents savings for PBM clients – the employers, unions, retirement plans and government programs that provide health care coverage to 266 million Americans⁴. More than 90 percent of these savings are passed on to employers and unions and are used to lower out of pocket costs and premiums for employees and members.

In addition to delivering savings through negotiations with drug manufacturers, PBMs support better health outcomes and help reduce health care costs through other strategies. Clinical expertise helps ensure the safest, most effective and affordable medications are dispensed, which in many cases is a generic drug. Patient-focused tools and programs also help to improve medication adherence, which is critically important to the nearly 50 percent of Americans with at least one chronic disease.

However, one of the most significant barriers to medication adherence is high out of pocket costs. When drug prices increase, patient co-pays and premiums follow suit. The reality is this: if manufacturers set prices at more responsible levels – and increased them only at sustainable rates – potentially life-saving medicines would be more accessible to the patients that need them.

Fortunately, greater focus is being placed on the prices that drug manufacturers set and the implications that ripple through the system as a result. As Gerard Anderson, Professor of Medicine at Johns Hopkins University School of Medicine, testified⁵ to the Senate HELP Committee in June, “Many people have argued that the list price is irrelevant because few entities actually pay the list price. However, the list price is often used to determine the amount of cost sharing that many patients will pay. Since the list price is the only price that is publicly announced, it becomes the basis for many cost-sharing agreements. Thus, patients are harmed when the list price goes up.”

³ <http://www.imshealth.com/en/thought-leadership/quintilesims-institute/reports/medicines-use-and-spending-in-the-us-review-of-2016-outlook-to-2021>

⁴ <https://www.pcmnet.org/wp-content/uploads/2016/11/ROI-on-PBM-Services-FINAL.pdf>

⁵ <https://www.help.senate.gov/imo/media/doc/Anderson4.pdf>

Ensuring greater access and affordability will also depend on fostering greater competition. Facilitating faster reviews of generics and biosimilars, identifying off-patent drugs with little or no generic competition, and ending anti-competitive practices that keep safe, effective alternatives off the market are also key to managing rising drug costs for patients. A competitive environment ensures that PBMs can effectively negotiate on behalf of their partners, ensuring access to needed medications and, at the same time, bending the cost curve of rising drug prices.

CAPD is grateful for the opportunity to submit this testimony and eager to work with stakeholders to find new ideas and build on existing strategies to help drive progress for employers, employees, retirees, taxpayers – and for America’s future.