Prepared Testimony of Richard Ashworth, PharmD.
President, Pharmacy and Retail Operations
Walgreen Co.

Lowering Prescription Drug Prices: Deconstructing the Drug Supply Chain

Submitted to the House Energy and Commerce
Subcommittee on Health
May 9, 2019

Chairwoman Eshoo, Ranking Member Burgess, and Members of the Subcommittee, thank you for the invitation to speak in front of the House Energy and Commerce Health Subcommittee about the important role community pharmacy plays in the lives of Americans all across this country.

I am Richard Ashworth, president of pharmacy and retail operations for Walgreen Co., based in Deerfield, Illinois. I began my career with Walgreens in 1992 as a service clerk, later becoming a pharmacist and moving up through the company in various pharmacy and store management roles. In 2007, I became vice president of pharmacy benefit management services for Walgreens Health Services, our former managed care division.

Over the next several years, I took on executive leadership roles for pharmacy operations and later corporate operations for the western U.S. I also spent a year overseas in the United Kingdom and Republic of Ireland where I led the development and delivery of health care and pharmacy strategy, following Walgreens merger with UK-based Alliance Boots. I have been in my current position since 2014.

Above all, after over 27 years with Walgreens and many role and title changes, being a pharmacist has been the core focus in all of my work. Helping patients has been my singular passion since the beginning. Walgreens, as a company, has provided an ideal platform to serve patients, with approximately 9,500 store locations across all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. Through our locations, approximately 8 million customers and patients each day are using the most convenient, multichannel access to consumer goods and trusted, cost-effective pharmacy, health and wellness services and advice. Walgreens scope of pharmacy services includes retail, specialty, medical facility and mail service, as well as online and mobile services. Ultimately, our services improve health outcomes and lower costs for payers, including employers, managed care organizations, health systems, pharmacy benefit managers (PBMs) and the government.

My testimony today is grounded in Walgreens core purpose to champion the health and well-being of every community in America. We are eager to assist the Subcommittee seek out ways for community pharmacy to further help patients afford their medications and stay adherent to their drug therapy.

Pharmacy's Role in the Supply Chain

Community pharmacists are all too familiar with the financial hardship many patients face when paying for their prescription medications. The pharmacy counter is where the issue of drug pricing and patients intersect, and pharmacists work every day to find ways to lower costs for patients. However, under the current system in Medicare Part D, pharmacies are limited in what they can do to help patients save money.

The pharmacist is largely reliant on the information returned to the pharmacy from the PBM and health plan as part of the claims process. The claim will guide the pharmacist as to what medication to dispense, and provide coverage and out-of-pocket (OOP) cost information based on coverage phase, formulary placement, tiering and other factors. Walgreens pharmacists are often able to piece together additional savings for patients by examining lower cost alternatives, facilitate financial assistance (when available), and offer the cash price without insurance (when lower than the cost-sharing amount with insurance). We present our patients with this information at the point-of-sale, and we recently developed a digital enhancement to provide this information to existing patients before they even arrive at the pharmacy.

Unfortunately, the diligent work of the pharmacist to find additional savings occurs within (and in spite of) a system with perverse incentives that artificially increase the price of drugs at the pharmacy counter. Patients deserve more. It is incumbent upon every stakeholder in the supply chain to deliver savings to patients in the form of the lowest possible OOP costs based on the "true" price of their prescription drugs. Currently, there are systemic barriers that prevent this from occurring.

What Occurs Now

Walgreens maintains two guiding principles on drug pricing:

1. Drug prices must be transparent as they move through the supply chain and are ultimately dispensed to patients
2. Savings must be passed on to patients at the pharmacy counter to lower their OOP costs

While seemingly simple, Walgreens believes these principles are central to delivering affordable prescription drugs to patients.

Key to achieving transparency are transactions that occur in the opaque middle ground of the supply chain, between the bookends of a system that begins with drug manufacturers and ends at the pharmacy counter. Many transactions often occur after the point-of-sale to the patient, and impact the final cost of a drug, which can increase patients' OOP drug costs. Primary examples of such transactions include manufacturer rebates and pharmacy price concessions negotiated and collected by PBMs on behalf of plans—known as direct and indirect remuneration (DIR).

Currently, DIR transactions increase the OOP costs for beneficiaries at the point-of-sale. Although rebate negotiations between manufacturers, PBMs and plans are generally confidential, they are typically

offered in exchange for placement on the plan's drug formulary and improved market access. Rebates are also generally adjudicated after a drug is dispensed to a patient. Similarly, pharmacy price concessions are fees that PBMs and plans charge pharmacies outside of normal administration fees, and are generally adjudicated and collected after the point-of-sale. Typically, such fees are related to network participation and quality performance arrangements. Total DIR in Medicare Part D has grown substantially, from $13.4 billion in 2013 to $35.1 billion in 2017—an increase of 162 percent in only four years.[1]

Savings generated by DIR are generally used, in part, to reduce the price of a drug for the health plan. However, as this reduced price is a better reflection of the final, true cost of a drug, beneficiary cost-sharing amounts should also be based on the plan's "net" drug cost. Beneficiaries currently pay cost sharing amounts based on a drug's undiscounted, pre-DIR negotiated price, or "gross" price. The delta between net prices and gross prices is growing and has resulted in a phenomenon often referred to as the "gross to net bubble."[2]

For example, and using simple math, if a beneficiary's cost-sharing obligation is 20 percent, a beneficiary would pay $60 for a drug with gross price of $300. The same drug with a 50 percent point-of-sale reduction—inclusive of all manufacturer and pharmacy DIR—would require the beneficiary pay $30 for a drug with a net price of $150. When extrapolated to more expensive brand and specialty drugs whose costs can range in the thousands, cost-sharing obligations on a gross, pre-DIR negotiated drug price can be out of reach for many beneficiaries, resulting in abandonment of their drug therapy, negative health outcomes and higher overall medical costs for the government and taxpayers. In fact, studies consistently show that between 20-30 percent of prescriptions are never filled at the pharmacy, mostly due to cost, which I will discuss in more detail later.[3]

<u>A Better Approach</u>

A more transparent, full pass-through approach is necessary to help eliminate the perverse incentives that currently exist in the Part D program. But more can be done. Walgreens believes complete transparency is possible, and can be achieved through a new "open source" benefit design data clearinghouse.

Today, patient, benefit design and drug pricing information are held exclusively by PBMs and plans. As discussed earlier, a limited amount of this information is shared with the pharmacy, as part of the claim and at the point-of-dispensing. However, neither the manufacturer rebate amount nor any other potential discounts or lower cost alternatives are shared. Prescribers also generally do not have access to this information, which they could use to help their patients navigate the financial decisions necessary when starting or continuing drug therapy. The limited information that is available to prescribers is only accessible through disparate, proprietary PBM and plan platforms that are not standardized nor widely integrated with electronic medical records systems. Thus, prescriber adoption of such technology is extremely low. Finally, some PBMs and plans share

---

[1] "CMS Considers Point-of-Sale Pharmacy DIR: Another Prelude to a World Without Rebates?" Drug Channels Institute. Dec. 4, 2018.
[2] "New Data Show the Gross-to-Net Rebate Bubble Growing Even Bigger." Drug Channels Institute. June 14, 2017.
[3] Ann Intern Med. 2012 Dec 4;157(11):785-95.

benefit-level information with their members through online portals and other tools. However, this information is limited, not transparent and often difficult to navigate—and many patients are not even aware of such tools.

A benefit design data clearinghouse that is democratized and open-source would introduce next level transparency, ensuring patients, along with prescribers and pharmacies, have the best, most accurate and granular drug-related information available—well before the patient even arrives at the pharmacy. This would enable better financially sound decision-making at all levels, with the patient ultimately benefiting from lower OOP cost and a greater level of adherence. The clearinghouse could be further augmented by facilitating fully transparent pricing accessible through an Application Programming Interface (API), which would allow technological innovation to occur across care settings and through consumer solutions while simultaneously operating within HIPAA[4] standards.

Medication Adherence is Paramount

Out-of-pocket prescription drug cost is a key predictor of medication adherence. When patients cannot afford the copays or coinsurance for their medications, they may altogether abandon their drug treatment. One study found that prescriptions with copayments between $40 and $50 and those greater than $50 were almost 3.5 times and nearly 5 times more likely, respectively, to be abandoned by patients than prescriptions without copayments.[5] Additionally, a study conducted by Walgreens found that patient OOP cost is the most significant predictor of abandonment and primary medication non-adherence.[6] Specifically, the study found that the abandonment rate for Zostavax increased when copays were above $15, and increased substantially when copays were above $50.[7] Overall, according to Walgreens internal data, we found that significant predictors for abandonment include patients paying cash, higher cost sharing obligations, low income and prescriptions for branded drugs.

Medication non-adherence is a widespread problem among Americans taking prescription medications, and is a growing concern because of mounting evidence of its prevalence and association with adverse outcomes and higher costs of care. Up to one-half of the 187 million Americans taking prescription drugs do not take their medications as prescribed.[8] According to a study by the Network for Excellence in Health Innovation (NEHI), the costs of medication non-adherence are enormous, estimated at nearly $300 billion annually.[9] Medication non-adherence costs over $100 billion a year in excess

---

[4] Health Insurance Portability and Accountability Act

[5] Shrank WH, Choudhry NK, Fischer MA, Avorn J, Powell M, Schneeweiss S, et al. The Epidemiology of Prescriptions Abandoned at the Pharmacy. Ann Intern Med. 2010.

[6] Akinbosoye OE, Taitel MS, Grana J, and Macpherson C. Factors Associated with Zostavax Abandonment. Am J Pharm Benefits. 2016.

[7] Ibid. Patient abandonment was 1.66 times higher at copay levels between $15-$34.99, and 3.27 times higher at copay levels between $50-$64.99.

[8] National Council on Patient Information and Education. "Accelerating Progress in Prescription Medicine Adherence: The Adherence Action Agenda. A National Action Plan to Address America's 'Other Drug Problem.'" October 2013.

[9] Network for Excellence in Health Innovation, "Bend the Curve: A Health Care Leader's Guide to High Value Health Care." 2011.

hospitalizations; non-adherent diabetes and heart disease patients have significantly higher mortality rates; approximately 90,000 hypertensive patients die prematurely every year because of poor medication adherence; and 25 percent of all emergency room visits are the result of non-adherent asthma patients.[10]

The Role of Pharmacy: Helping Patients

Pharmacies and pharmacists are truly on the frontlines of neighborhood healthcare in the United States. This is demonstrated not only by proximity of the pharmacy but also by the increasingly important clinical role pharmacists play in helping patients with needed care. Walgreens, for example, is located within five miles of approximately 75 percent of Americans. This distance shrinks when extrapolated to the many other chain and independent community pharmacies, making the pharmacy the most accessible healthcare destination for the majority of the population.

In addition, pharmacists play an increasingly important role in the healthcare system that extends beyond "putting pills in a bottle" to providing a broad range of clinical services. Pharmacists today practice at the top of their license and training to manage chronic diseases and provide medication management, conduct health tests and educate patients on the results, administer immunizations, and partner with health systems to advance health and wellness as well as hospitals to transition patients to the community and reduce readmissions. Yet, because of the disjointed healthcare system in our country, pharmacists cannot provide the full range of their clinical capabilities across all payer environments, including across state Medicaid programs and in Medicare.

Even so, the value of pharmacy cannot be understated. We see our role as augmenting continuity of care—furthering the healthcare goals of patients and their providers. Clearly, the pharmacist relationship with patients is deeply rooted in trust; however, we believe more is needed to better integrate pharmacists across clinical settings to help address increasing care shortages, especially in medically underserved communities.

The challenge, as projected by the Association of American Medical Colleges, is by 2032 there will be approximately 121,900 fewer doctors than needed to meet growing demand. [11] This confluence represents an important situation that must utilize all available healthcare professionals to their fullest capability in order to adequately manage the growing pressures and demands on the nation's healthcare system. The effects of a physician shortage will be compounded in the Medicare program where, over the next two decades, the number of beneficiaries is projected to rise from approximately 58 million to nearly 90 million.[12]

Conclusion

---

[10] Ibid.

[11] The Complexities of Physician Supply and Demand: Projections from 2017 to 2032, prepared for the Association of American Medical Colleges. April 2019. IHS Markit Ltd.

[12] 2018 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds

The evidence is clear: increases in drug pricing and patient OOP costs and the significant impact these have on medication adherence are too important to go unanswered. Walgreens believes passing on all the savings generated from manufacturer rebates and discounts as well as pharmacy price concessions is the best policy solution currently under consideration. Coupling this approach with an open source benefit design clearinghouse will facilitate absolute transparency and prevent potentially new perverse incentives from taking hold.

Thank you, again, for the invitation to speak to the Subcommittee today, and I look forward to continuing to work with you on this important issue.