Pharmaceutical Pricing: Pulling Back the Curtain

Barbara L. McAneny, MD
President
American Medical Association
AMA Board of Trustees
AMA = Sum of five parts

House of Delegates (policy) + Members + Practice/Business Tools + Research & Education + Advocacy = AMA

Innovation ecosystem

The American Medical Association promotes the art and science of medicine and the betterment of public health.
The AMA: Our Strategic Approach

The AMA is **attacking the dysfunction in health care** by removing the obstacles and burdens that interfere with patient care.

The AMA is **reimagining medical education, training, and lifelong learning** for the digital age to help physicians adapt and grow at every stage of their careers.

The AMA is **improving the health of the nation** by confronting the increasing chronic disease burden.
Creating health equity
AMA’s commitment to non-discrimination and health equity

• Two key principles of our Code of Medical Ethics state:
  ➢ We are to “support access to medical care for all people,” and
  ➢ We are to provide “competent medical care, with compassion and respect for human dignity and rights.”

• Non-discrimination, health equity and access to health care for all are key goals of our advocacy work.
AMA works to create greater health equity in America

**Policy** – dozens of AMA policies approved by the House of Delegates call for reducing racial and ethnic disparities in health care; increasing diversity in the medical profession; and eliminating bias among health professionals.

**Advocacy** – the AMA advocates for policies such as expanded access to care for all, including racial and ethnic minorities, and for adequate funding of safety net programs.

**Tools** – the AMA creates tools such as the *Health Disparities Toolkit*, for physicians to use to implement better health literacy and culturally-competent care in their own practices.
Improving health access
AMA priorities for health care reform

- Protecting coverage for all Americans
- Protecting safety net programs
- Stabilize and strengthen individual insurance market
- Reduce regulatory burdens on physicians that drive up costs
- Maintaining key market reforms to cover pre-existing conditions, etc.
Coverage gains under the ACA

Figure 1

Uninsured Rate Among the Nonelderly Population, 1998-2016

NOTES: Includes nonelderly individuals ages 0-64.
SOURCE: Kaiser Family Foundation analysis of the 2018 National Health Interview Survey.
Drug pricing transparency
Rising prescription prices
The complicated web of drug pricing

How Drug Distribution Works
A complex supply chain determines how prescription drugs are paid for in the U.S.

Wholesaler or drugmaker negotiates price with pharmacy

Pharmacy dispenses to consumer and collects copay

Individuals pay premiums to their health insurer or employer

Drugmaker sells to wholesaler at small discount to list price

The PBM negotiates with the pharmacy over reimbursement for drugs and dispensing fees

Health insurer or employer

PBM negotiates to receive rebates from drugmaker

Insurer or employer pays PBM to manage drug costs, and the PBM passes back some or all of the rebates to the health insurer or employer

Sources: Avalere Health

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The need for drug price transparency

• Pharmaceutical companies: public notice of drug price increases and provide justification for price increases; publicly disclose a variety of information (e.g., R&D, production, marketing and advertising costs)

• Pharmacy benefit managers (PBMs): disclosure of rebate and discount information, financial incentive information, and P&T committee information; applying manufacturer rebates and pharmacy price concessions to drug prices at the point-of-sale

• PBMs and health plans: improved transparency in formularies, cost-sharing and utilization management requirements; restrict mid-year formulary changes
Finding out the #TruthinRx

Key milestones:

- 825,000+ messages sent to Congress demanding price transparency
- 265,000+ petition signatures calling for increased prescription drug price and cost transparency
- 614+ AMA posts on Twitter and Facebook displayed more than 10 million times with 500,000+ people interacting with the posts
- Visit TruthinRx.org
AMA action on the Federal level
AMA legislative and regulatory priorities

1) Require manufacturer and pharmaceutical supply chain transparency;

2) Ensure that prescribers have accurate point-of-care coverage and patient cost-sharing information as part of their workflow, including the EHR;

3) Streamline and modernize utilization control methods used by health insurers, including prior authorization.
AMA action on drug pricing regulation

• *Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs*

• In July, the AMA responded to the Administration’s request for input on many of the specific proposals in the *Blueprint.*

• We look forward to working closely with federal agencies to bring costs down and reduce any barriers patients and physicians face in obtaining appropriate and appropriately-priced medications.
AMA action on drug pricing legislation

• August 2018 – Letter in support of *The Patient Right to Know Drug Prices Act* as amended

• April 2018 – Testified at U.S. House of Representatives Democratic Steering and Policy Committee Briefing

• December 2017 – Testified before Health Subcommittee of the U.S. House of Representatives Committee on Energy and Commerce on “Examining the Pharmaceutical Supply Chain”
AMA action at the state level
AMA Model Legislation to increase transparency

1) Provides patients with relevant, accurate information about the manufacturing, production, advertising and other associated costs relating to their prescription medications

2) Protects patients from surprise decisions of health insurers and PBMs to shift costs on consumers

3) Ensures that co-pays, co-insurance, or utilization management requirements will not change during the plan year after a patient purchases a health plan
States are starting to address problematic practices of PBMs

State efforts to address costs associated with PBMs:

• Nearly 25 states restrict gag clauses in pharmacists-PBM contracts
• Bills aim to regulate PBMs under the department of insurance (e.g. Arkansas)
• National policy-making organizations (NAIC and NCOIL) are focusing on PBM activity
We, the AMA, have committed ourselves to ending health disparities for at-risk populations … raising awareness about early detection for chronic disease and expanding treatment options in underserved communities.

And we, the AMA, are committed to a more inclusive profession … one that includes new voices, new ideas, and new leaders at the table.

Barbara L. McAneny, MD
AMA President, June 2018
Thank you!

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