



ML Strategies Alert

Recent Developments around Pharmaceutical Drug Spending in Massachusetts

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Throughout the fall, policy makers in Massachusetts have sharpened their focus on the rise of pharmaceutical drug prices and their role in the growth of overall health care spending in the Commonwealth. Both the Center for Health Information and Analysis (CHIA) and the Office of Attorney General Maura Healey recently released reports addressing pharmaceutical spending, and the Health Policy Commission (HPC) discussed this issue extensively at its annual [Cost Trends Hearings](#) on October 17th and 18th.

In its [annual report](#) on the performance of the Massachusetts health care system released in September, CHIA reported that prescription drug spending in the state increased by 10.1% to \$8.1 billion in 2015. This rate increase was below the 2014 rate increase of 13.5%. The report also notes that pharmaceutical spending accounted for one-third of the overall growth in total health care expenditures (THCE) in 2015.

Building upon CHIA's findings, Attorney General Maura Healey released on October 7th her office's [annual report](#) examining pharmaceutical cost trends in the state. The report identifies spending on specialty drugs as a major driver of total growth in pharmaceutical spending. It recommends instituting a requirement to report aggregated, standardized information on drug rebates to CHIA, promoting generic and biosimilar drugs to foster more competitive pharmaceutical markets, and improving transparency and measurement of the "comparative efficacy" of drugs that treat the same disease.

In written testimony submitted before the Cost Trends hearings, both payers and providers expressed their view that rising pharmaceutical spending is a top area of concern. All eleven payers who submitted testimony identified some aspect of pharmaceutical spending trends as a significant challenge to meeting the health care cost growth benchmark. Many pointed to increases in specialty drug prices as a particular challenge and argued that increased transparency in pharmaceutical drug pricing could aid in efforts to meet the cost growth benchmark. Providers said that pharmacy expense growth has significantly exceeded growth in other expense categories, and several pointed to the role of drug shortages in increasing pharmaceutical costs.

The HPC devoted a panel at the Cost Trends Hearing exclusively to pharmaceutical spending. The witnesses speaking on the panel were Dr. Deborah Schrag, Surgical Oncology Chief at the Dana-Farber Cancer Institute, Dr. Rick Weisblatt, Chief of Innovation and Strategy at Harvard Pilgrim Health Care, Dr. Gregg Meyer, Chief Clinical Officer at Partners HealthCare, and Lisa Joldersma, Vice President for Policy and Research at PhRMA.

Transparency in pharmaceutical pricing was a major theme of the panel discussion, with Dr. Schrag, Dr. Weisblatt, and Dr. Meyer all agreeing that greater price transparency is needed. Meyer and Schrag discussed the difficulties they have encountered in accessing information about drug pricing at the point of care, and both commented that currently there is insufficient drug pricing transparency at the point of care for providers prescribing drugs to patients. Meyer said that access to information regarding how much a drug will cost a

patient and what the patient's insurance plan will cover would be "transformational."

Joldersma argued that the pharmaceutical industry is currently restricted in its ability to share information about its products with physicians and payers, saying "we have the information about our products, about their value, that we would like to be able to share, and frankly, we are not permitted to do so." Drug makers have also argued that they already disclose extensive information on research and development costs, and that certain transparency measures would make it harder for the industry to develop lifesaving drugs.

Pricing transparency for pharmaceuticals was an area of focus for legislators on Beacon Hill this past session. During this past legislative session Senator Mark Montigny introduced An Act to Promote Transparency and Cost Control of Pharmaceutical Drug Prices (S. 1048), which aimed to control growth in prescription drug costs by mandating several pricing disclosure requirements. The bill failed to emerge from a legislative committee, but similar efforts addressing pharmaceutical spending are likely to emerge in the next legislative session.

Massachusetts is only one of several states across the nation where lawmakers have pushed for measures to increase transparency around drug pricing. Thirteen other states have introduced similar legislation, and in June, Vermont Governor Peter Schumlin signed a bill into law making his state the first in the nation to require companies to justify certain drug price hikes.

Another topic of discussion throughout the sessions was the role of rebates, which the Attorney General's report found to have had an insignificant impact on the rate of increase in aggregate spending. Joldersma emphasized the role of rebates in controlling overall drug costs, and argued that overall drug spending statistics, such as CHIA's, do not account for rebates. CHIA Executive Director Ray Campbell said that his agency is very interested in the impact of rebates on drug prices and that they plan on looking into this subject more closely moving forward. Many have also expressed concern that the savings that Pharmacy Benefit Managers (PBMs) generate in the form of rebates are not passed along to the clients, such as health plans, unions, and employers, upon whose behalf they purportedly negotiate.

Governor Charlie Baker and Joldersma highlighted the role of the Food and Drug Administration (FDA) in rising pharmaceutical spending, with both calling upon the agency to speed up its approval process for generics and biosimilars. In his keynote remarks, Governor Baker criticized the FDA for the long median approval time for generic drugs (47 months) and Joldersma cited the need for federal regulators to clear the backlog of generic drug applications and make it less expensive to bring new drugs to market.

Joldersma also pushed back against the idea that pharmaceutical cost growth is increasing at a disproportionate or unacceptable rate. She pointed out the finding in the Attorney General's report that prescription drug spending in the commercial market in Massachusetts increased by just 4.1% and said that the pharmaceutical industry does not "presuppose that there is a right portion of the health care dollar that should go to prescription drugs."

Massachusetts and other states across the country will continue looking at this issue closely moving forward, but with the [election of Donald Trump as President](#), drug pricing will no longer be an issue of the same level of importance at the national level than it would have been with a different election outcome. Drug pricing will still be discussed in Washington, D.C., but major policy changes are unlikely, especially along the lines of what Democrats have favored.

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ML Strategies will continue to monitor and periodically report on discussions among political and industry leaders as they work to identify potential solutions to address rising pharmaceutical drug spending.

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