100 Days of Action: What the American Patients First Blueprint Means for Member Organizations and Self-Funded Plan Sponsors

By: Mike Stull, chief marketing officer, Employers Health

100 days have passed since President Trump introduced the American Patients First Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs. Dan Best, senior advisor to the secretary for drug pricing reform for the U.S. Department of Health and Human Services recently authored a report on progress the administration has made in the first 100 days.

Several Employers Health clients asked what this means to them as plan sponsors. Below, Mike Stull, chief marketing officer at Employers Health, shares his thoughts on what this means for Employers Health member organizations and other self-funded plan sponsors.

Lowering Drug Prices: List Prices & Rebates

• I'd say for most brand drugs, we're not seeing list prices decrease, but the inflation rate has certainly slowed. Several pharmaceutical companies are freezing, cutting or rolling-back planned price increases. This should result in lower prices at the point-of-sale for patients and plan sponsors for the impacted medications. The key here is identifying which products aren't experiencing inflation (typically lower utilization) and which brand products are still experiencing inflation.

• A slower inflation rate for list prices may also reduce the amount of "price protection rebates" that our plans experience. Hence, we'd expect that over performance of the rebate guarantees would be reduced.

• HHS has proposed a rule that would eliminate or tighten the safe harbor for manufacturer rebates. Regardless of how this turns out, it's important to remember that rebates are additional discounts negotiated by the PBM on behalf of plan sponsors directly with the manufacturer or marketer of the drug, and we want to be able to continue these direct negotiations in one form or another.

• If manufacturer rebates are forced to be lowered or eliminated, we would expect the average list price of brand drugs to decrease accordingly.

• We would also expect PBMs to re-contract retail, mail and specialty discounts for brand medications with their clients and pharmacies. This is not new for the industry. In 2009, PBMs lowered approximately 1,400 brand drug prices by 4 percent as the result of a court settlement surrounding Average Wholesale Price calculations.

Increasing Competition: New Generics & Biosimilars

• We're happy to see the first generic EpiPen. While drugs like Adrenaclick were more cost-effective alternatives to EpiPen, they were not "interchangeable" generics. The new generic should provide some cost relief and will be easily substituted for the branded EpiPen.

• Biosimilars will provide added competition but will not have the same price impact as traditional generics. I see four main hurdles with biosimilars:

1). Getting FDA approval.
2). Avoiding legal challenges from the original brand manufacturer for patent infringement.
3). Getting doctors to prescribe the drug vs. the original brand.
4). Getting PBMs and health insurers to cover their drug on formulary.

Regulatory Policy: Gag Clauses

• The U.S. Senate recently passed legislation outlawing "gag clauses" in contracts between PBMs and retail pharmacies.

• If retail pharmacies submit their lowest cash price as usual and customary (U&C), the system should take that price if it is lower than the copayment or the discounted cost to the plan. In this instance, I'm not sure what impact "gag clauses" will have on plan sponsors.

• Plans, primarily fully-insured, that force participants to pay minimum copays regardless of the price of the drug will most likely experience more of an issue with this new legislation.

The team at Employers Health continuously works with our PBM partners to stay ahead of these developments and ensure we are prepared to adjust as they develop.