
Drug Pricing Policy Solutions



Approaches to Lowering Prescription Drug Costs



Missouri Foundation
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Written by Anam Khan, JD, MPH
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The High Cost of Prescription Drugs in the United States

Prescription drugs are necessary for many Americans to live healthy lives, often preventing medical and chronic health conditions from developing. They also help the nearly 52% of Americans who have at least one chronic illness¹ manage their health conditions, live longer lives, and improve their quality of life. These medications will become even more essential in the coming years, as the population ages, and with the number of Americans with chronic illnesses expected to increase substantially by 2030.² The high cost of prescription drugs in the United States, however, often poses a barrier to patients being able to receive life-saving medications.

In 2020, the United States spent over \$348 billion on prescription drugs, more than any other country in the world.³ List prices for prescription medications continue to increase every year. There is no simple explanation as to why prescription drug prices are ever-increasing in the U.S. Instead, high costs can be attributed to a complex web of reasons, including the inability of the U.S. government to negotiate Medicare drug prices, the pharmaceutical industry's monopoly over certain drugs, the pharmaceutical industry's lobbying power and political influence, and the impact of drug rebate programs.

A recent national survey indicates that 26% of Americans find it difficult to afford the cost of their prescription medications.⁴ Similarly, a recent survey of Missourians found that over half of respondents worried about affording prescription drugs. These concerns can impact individuals' adherence to their treatment plans. Further, about one-third of Missourians reported that they have not filled a prescription, cut pills in half, or skipped a dose of medicine in the last year due to high prescription costs.⁵ A 2019 study found that more than 13% of Americans, including 9.6% of white and 20.3% of people of color, knew at least one friend or family member who died in the last five years due to the inability to afford necessary treatment, including prescription drugs.⁶ Lack of prescription drug affordability has a significant and inequitable impact on health outcomes. Communities of color and low-income communities, which already bear the brunt of health disparities, are impacted the most by high drug costs.

Recent Efforts to Lower Costs

At the national level, the Inflation Reduction Act, which was signed into law by President Biden in August 2022, will allow the federal government to negotiate the costs of certain medicines that are covered by Medicare and require manufacturers to pay rebates if the cost of covered medicines increases at a rate faster than inflation. Moreover, the Act contains provisions that will help reduce out-of-pocket costs for beneficiaries enrolled in Part D, the Medicare prescription drug program. In particular, the law caps out-of-pocket spending, limits the cost of insulin to \$35 per month, provides for free adult vaccines, and allows for more individuals to become eligible for Part D Low-Income Subsidies. These provisions are expected to reduce out-of-pocket costs for Medicare beneficiaries, as well as substantially reduce health care spending by the federal government.⁷

Many state governments have also stepped in and adopted innovative policies to address high drug prices and the impact they have on access to care. Some of the most common state policies regulate pharmacy benefit managers (PBM) and address drug pricing transparency and patient cost-sharing. The majority of states, including Missouri, have passed laws that set limits on how PBMs determine pricing. These laws also often prohibit gag clauses, which can prevent pharmacists from advising customers about lower-cost alternatives. Twenty-one states, including Utah,

Texas, and Louisiana, have passed drug pricing transparency laws. These laws vary with respect to which entities in the pharmaceutical market are required to disclose information about the costs of drugs and increases in costs but share the goal of increasing information available about drug pricing. Twenty-two states, including Arizona, Utah, Texas, Louisiana, and Alabama, have adopted laws that limit, in various ways, how much patients must spend on prescription drugs. For example, some states have laws that cap the amount a patient is required to pay for insulin, while others have provisions that allow pharmacists to use a generic drug substitution when available.⁸

Some less common state policies to address drug pricing include laws related to wholesale importation, volume purchasing, and drug affordability review boards. Six states — Colorado, Florida, Maine, New Hampshire, New Mexico, and Vermont — have passed laws that would allow wholesale drug importation from out of the country (mainly from Canada), at lower prices. Delaware, Nevada, and New Mexico have passed laws that would allow price negotiation with pharmaceutical companies in exchange for purchasing drugs in bulk. Eight states — Colorado, Massachusetts, Washington, Oregon, New York, Maine, Maryland, and New Hampshire — have passed laws to create prescription drug affordability boards that have the authority to review drug prices and determine whether cost controls, such as upper limits for certain drugs, are needed.⁹

In Missouri, one recent law addresses the issue of prescription drug pricing. Senate Bill 826 was passed in 2018 and prohibits pharmacy benefit managers from writing contracts in a way that would require consumers to pay more than the lesser of the copayment or cash price of a prescription drug. This bill also prevents pharmacy benefit managers from blocking pharmacists' ability to discuss cost-sharing options and more affordable alternative medicines with the consumer.¹⁰

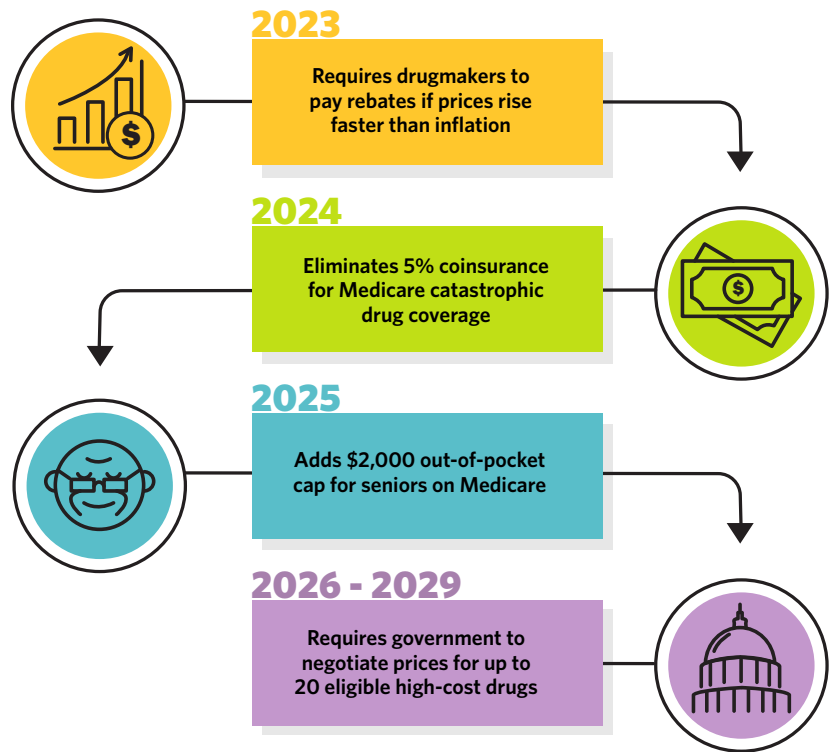
Conclusion

Prescription drug costs are ever-increasing and significantly impact health care affordability for those with low-income, the uninsured and underinsured, and Black and Brown communities. Working to reform drug pricing practices at the state and national levels may reduce state and national health care spending, make life-saving medications and treatment programs more affordable and accessible for patients, and provide the opportunity to advance a more equitable health care system.

Endnotes

Medicare Drug Pricing Timeline in Inflation Reduction Act

Reconciliation law includes several provisions to lower costs.



Adapted from Bloomberg Law/ Kaiser Family Foundation