

POINT PAPER – Cost of Insulin products

Problem: The cost of insulin is presently unaffordable for a significant number of North Dakota residents who rely on it to survive. Nearly a quarter of insulin-dependent Diabetics ration insulin due to insulin's high monthly cost. Rationing insulin leads to serious complications including stroke, kidney disease, blindness, heart disease, and death.

Issues:

- 1) Patients. Type 1 Diabetes afflicts patients of all ages and is incurable, but easily treatable with insulin. Type 1 Diabetes is not caused by lifestyle choice, poor diet, or lack of exercise. Without insulin, Type 1 Diabetes is 100% fatal.
- 2) Cheap to Manufacture. Cost to manufacture insulin is low – only about \$5-6 for a monthly supply, yet there are no generic options on the market.
- 3) Expensive to Buy. Type 1 Diabetes is the most expensive chronic illness in the United States. The average Type 1 Diabetic spends approximately \$17,000 a year on out-of-pocket costs (OOP) for health care, not including their cost of insurance.
- 4) High Profit Incentive. The profit incentive for profit is high – approximately \$1,127 per month per patient or a profit margin of approximately 7000%.
- 5) Exponential increases. The cost of insulin has exponentially increased in the last thirty (30) years with no substantial changes or improvements to the product.
- 6) Rebates Come at a High Cost. Approximately twenty-five percent (25%) of the profit is redistributed to pharmacy benefit managers, insurance companies, and large subscribers as rebates. The genesis of the rebates is the high cost of insulin, paid for by Type 1 Diabetics overpaying for their medication.
- 7) Myth of Free Market. The insulin market is not a free market. Insulin manufacturers, pharmacy benefit managers, and insurance providers work in tandem to extend patents, introduce barriers for generics, and inflate prices.
- 8) Insulin is deadly. Insulin is both deadly and lifesaving requiring various supplies to make it most effective and to reduce long term health consequences.
- 9) Legislation is necessary. Legislative pressure on insulin manufacturers is working. Insulin price capping bills in twenty-two (22) states have resulted in downward compression on pricing in the last two (2) years.
- 10) Price Reduction Programs Ineffective. Price reductions, manufacturer programs, coupon offerings, and supplier programs are ineffective, narrowly focused, and largely motivated by publicity.

Solution: The North Dakota Legislature approve a monthly co-payment cap of \$25 for insulin and \$25 co-payment cap for supplies.

Recommended Action: The committee approves the current bill.

