



# THE IMPACT OF DRUG PRICING ON CONSUMERS

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## AARP PUBLIC POLICY INSTITUTE

- Publishes policy analyses and provides updates on a range of topics
- Informs and inspires public debate on the issues we face as we age



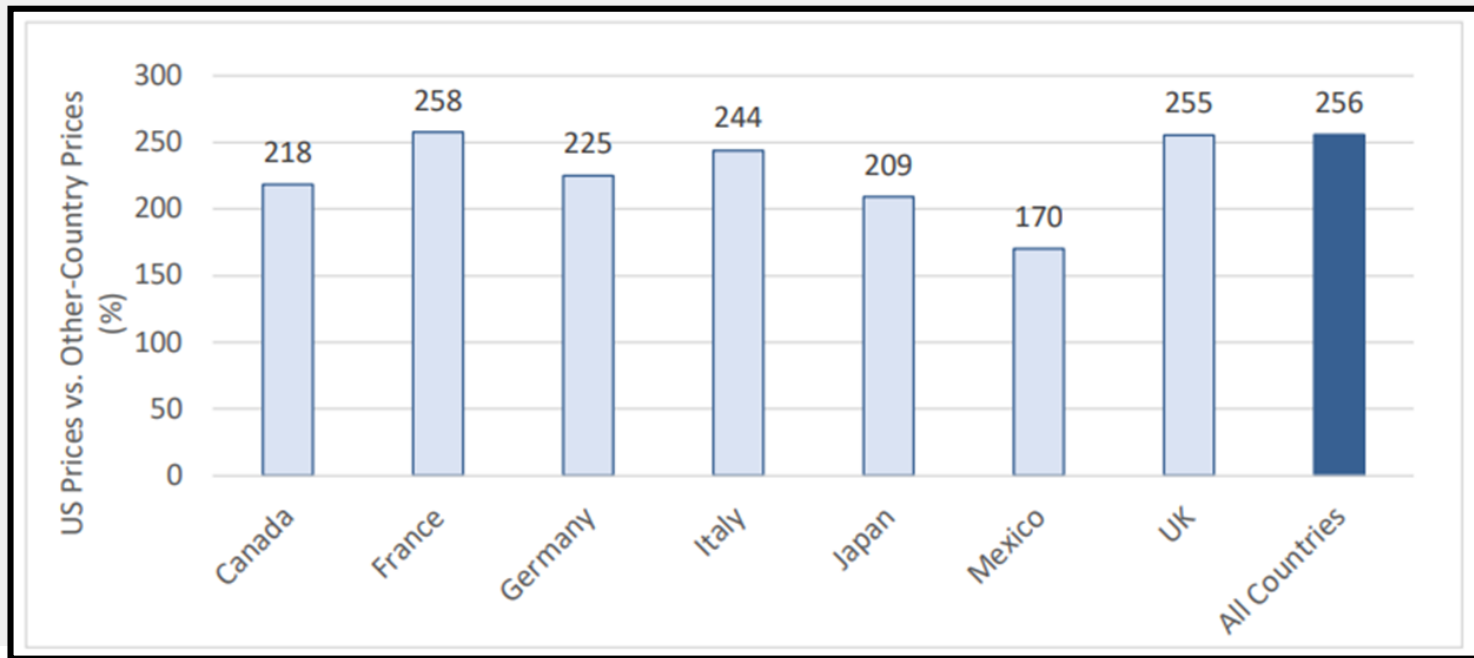


# The Challenge

# HIGH DRUG PRICES AFFECT EVERYONE



# US PRICES VS OTHER COUNTRIES



Source: RAND International Prescription Drug Price Comparisons Report, January 2021

# SIGNIFICANT IMPACT ON OLDER ADULTS

High Utilization



4.7 Prescriptions

Modest or Fixed Income



\$17,000

Limited Financial Resources

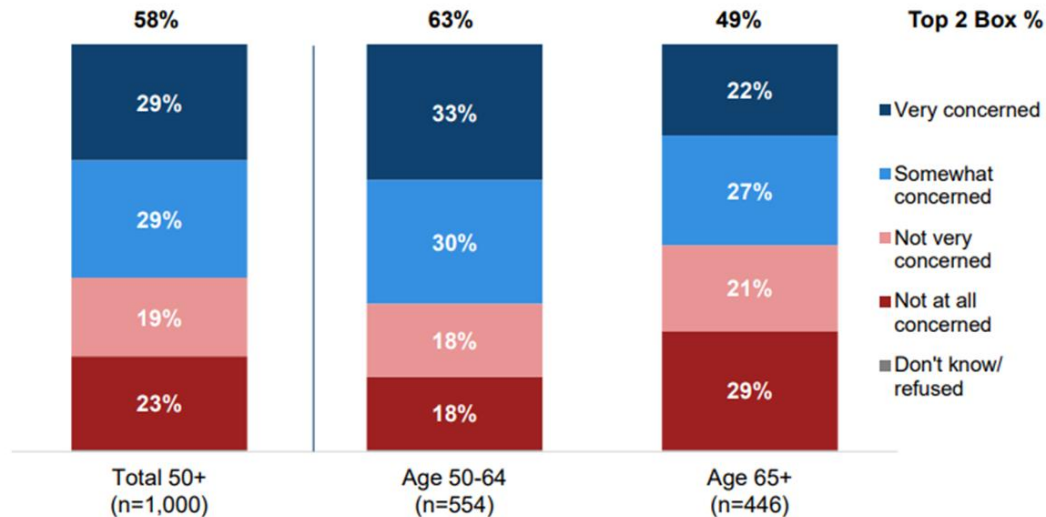


\$8,500

# High levels of concern around affordability of prescription drugs

Registered voters age 50 to 64 are more likely than those age 65 and older to express concern about being able to afford prescriptions (63% very or somewhat concerned vs. 49%).

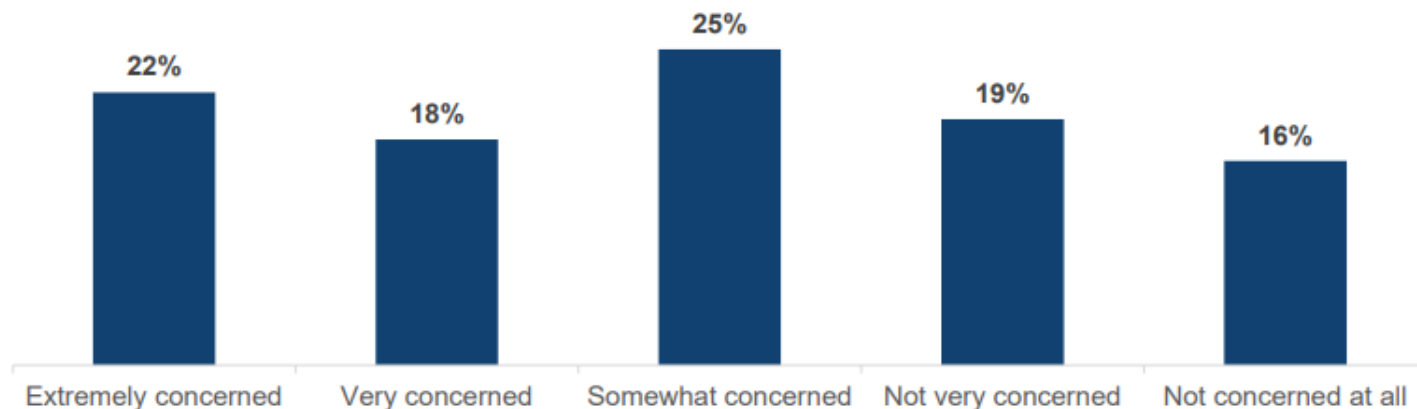
**Concern About Affordability of Prescriptions, by Age**



Q4. Thinking about the next few years, how concerned are you about being able to afford the cost of prescription medication you or a family member may need? (Base: All respondents)

**Nearly two-thirds (65%) of North Dakota residents age 45+ are at least somewhat concerned about being able to afford prescription drugs over the next two years.**

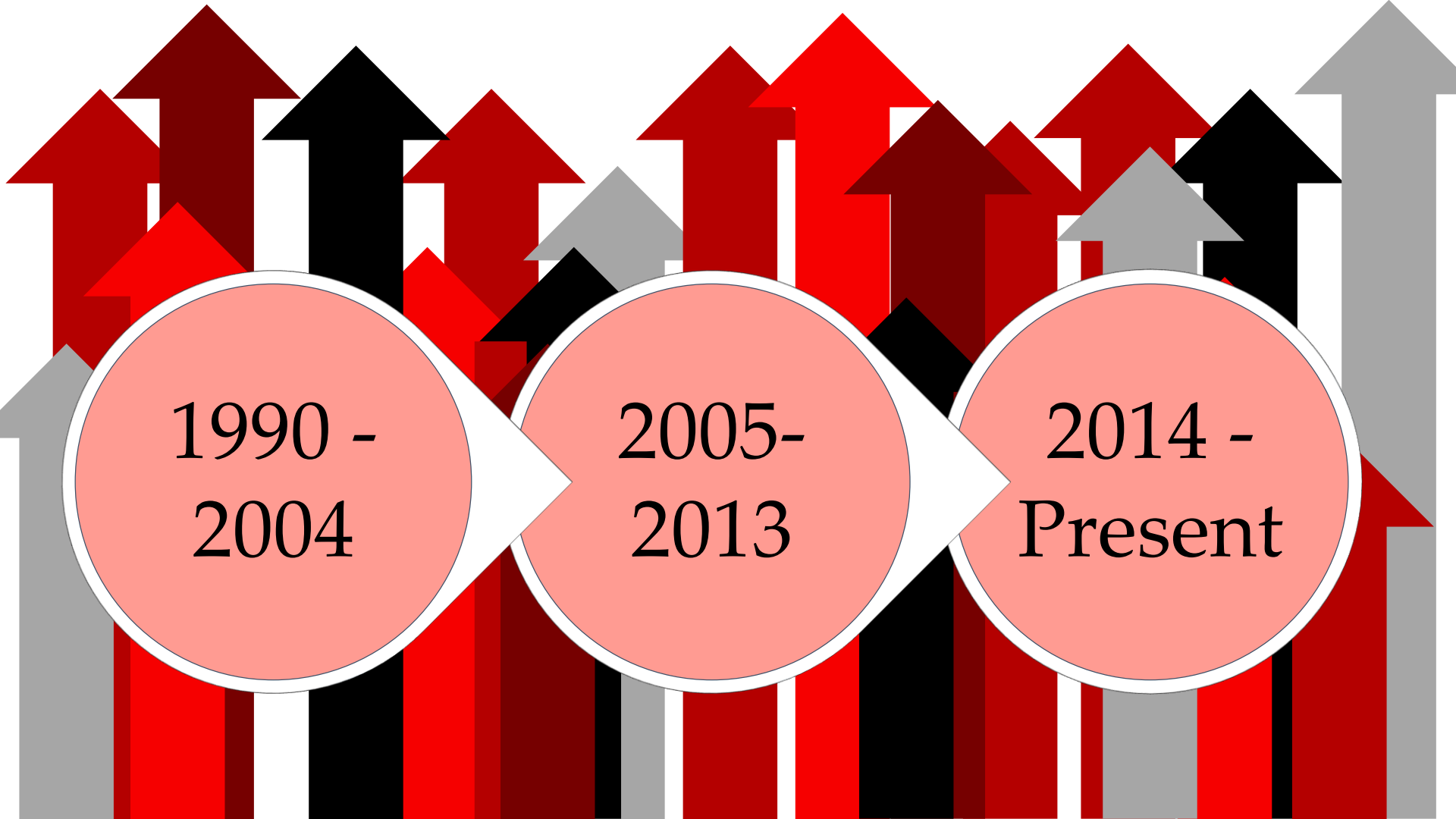
**Concern about Affording Prescription Drugs in the Next Two Years\***



Source: AARP Vital Voices Survey, July 2020.



# Drug Pricing Environment



1990 -  
2004

2005-  
2013

2014 -  
Present

# FDA APPROVALS



# PRESCRIPTION DRUG DEVELOPMENT

## Oncology

- 37% of all products
- 40% target rare cancers

## First-in-Class

- 70% of drugs in clinical development



# Drug Pricing Trends

## GENERIC DRUGS

- 90% of prescriptions
- 20% of drug spending

## BRAND NAME DRUGS

- 10% of prescriptions
- 80% of drug spending

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## SPECIALTY DRUGS (SUBSET OF BRAND)

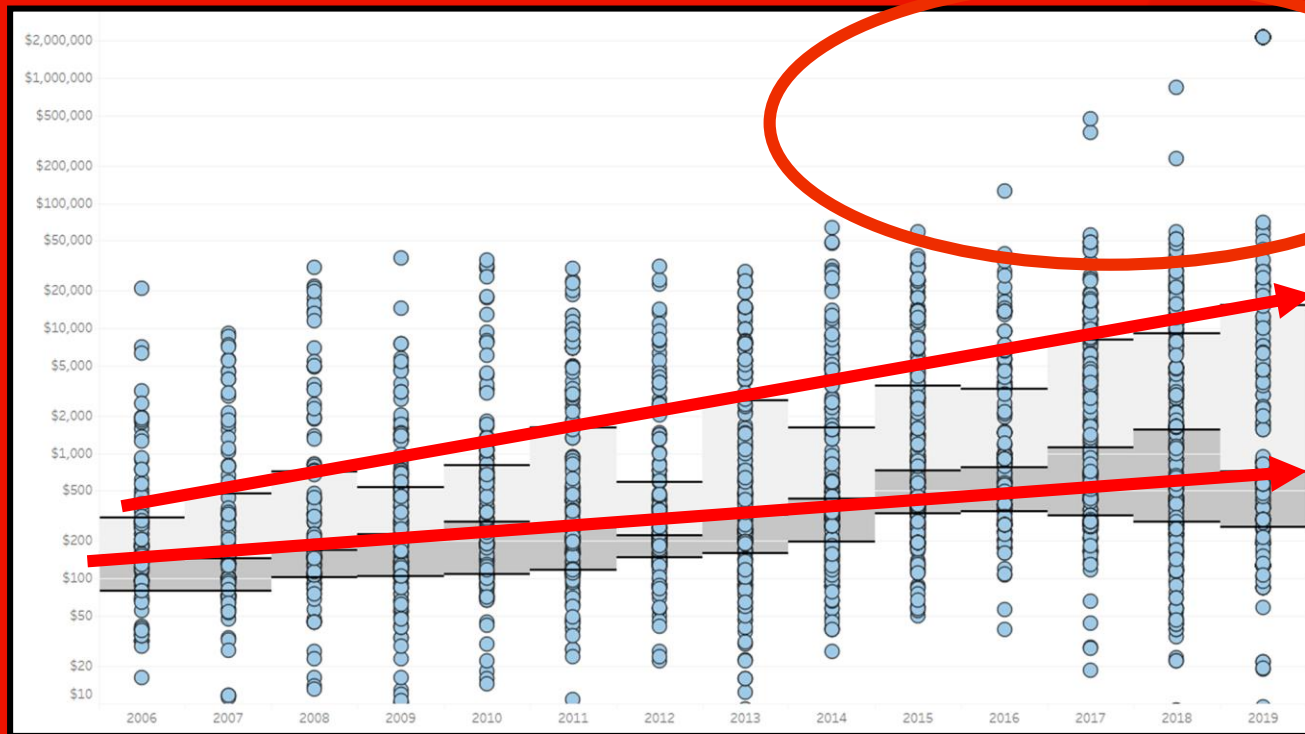
- 2% of prescriptions
- 50% of drug spending

# BRAND LIST PRICE INCREASES

**Increases in Median  
Price**

**Upper Quartile  
Increases 5,000%**

**Outlier drugs have  
higher prices**



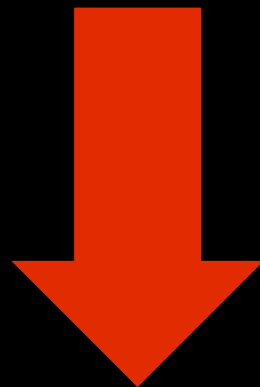
# ANNUAL PRICE INCREASES



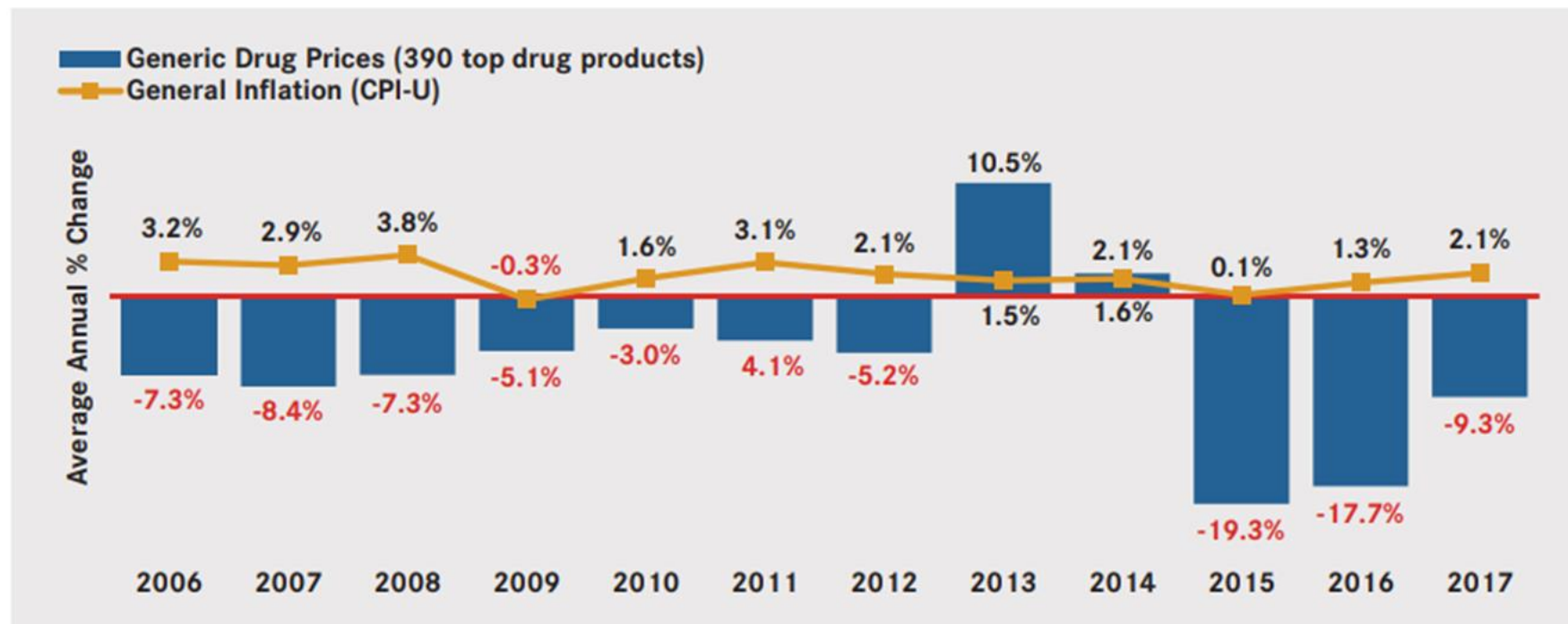
\$78,781



\$50,000

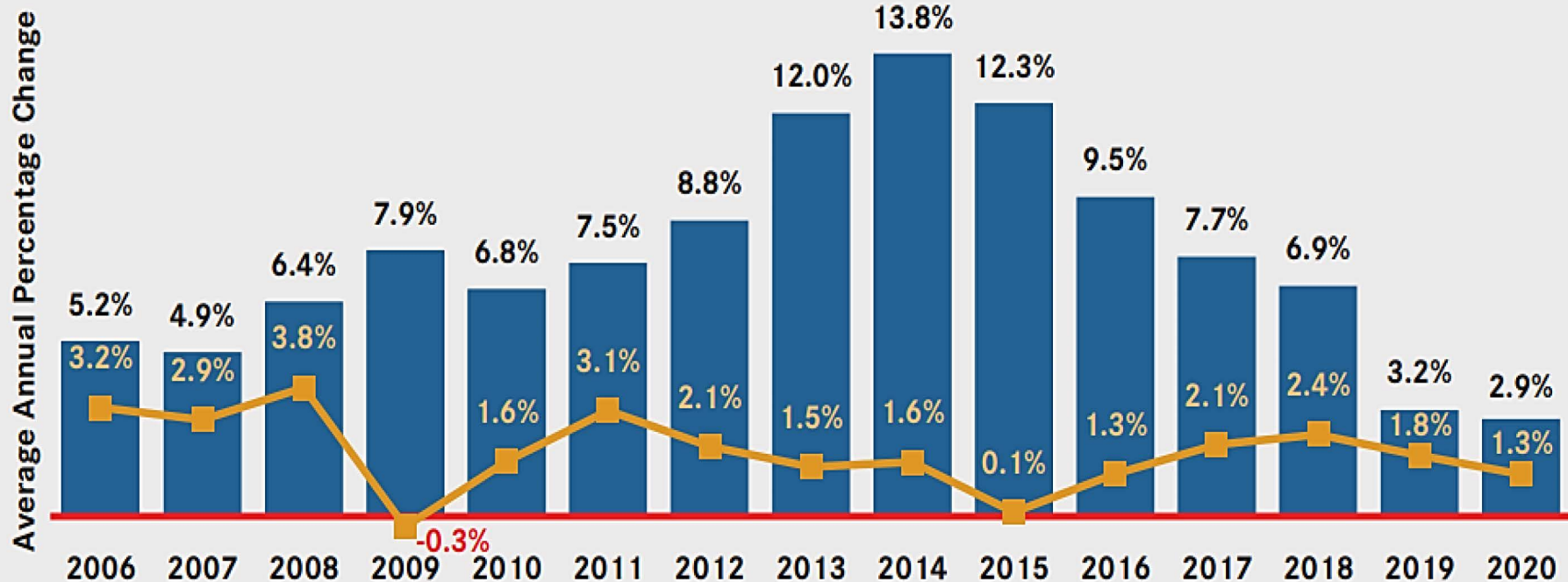


## Average Annual Generic Drug Price Decrease Slows in 2017 after Two Consecutive Years of Substantial Price Decreases



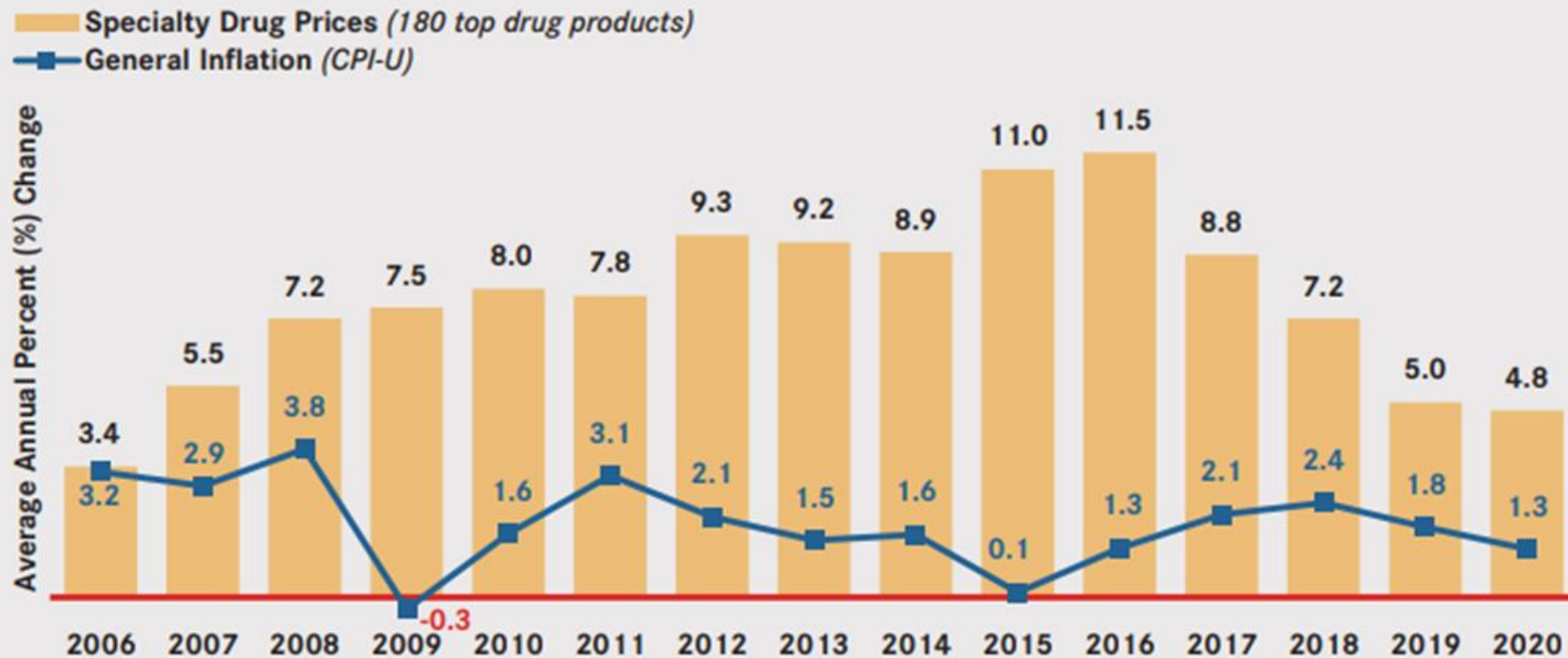
Source: AARP Rx Price Watch Report, <https://www.aarp.org/ppi/info-2019/trends-in-retail-prices-of-drugs.html>

■ Brand Name Drug Prices (260 top drug products)  
■ General Inflation (CPI-U)

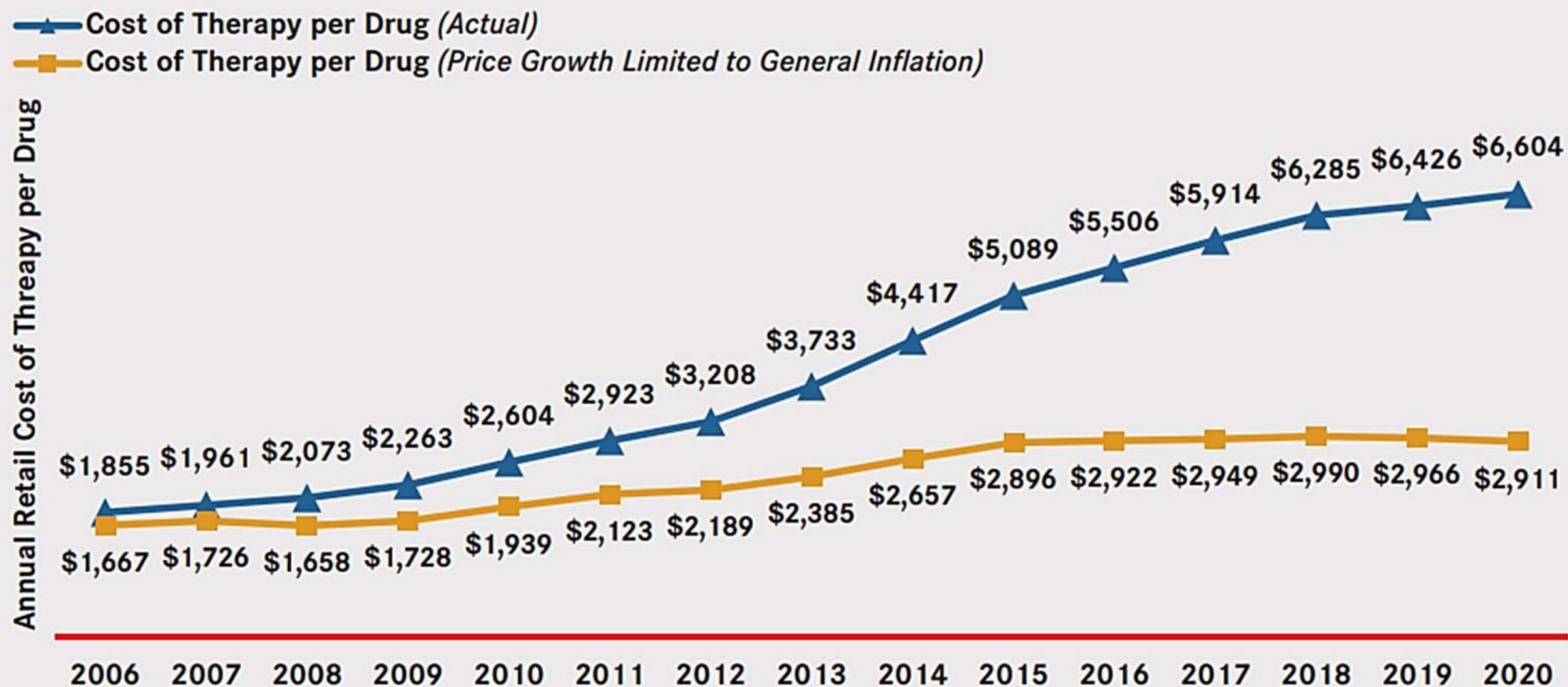


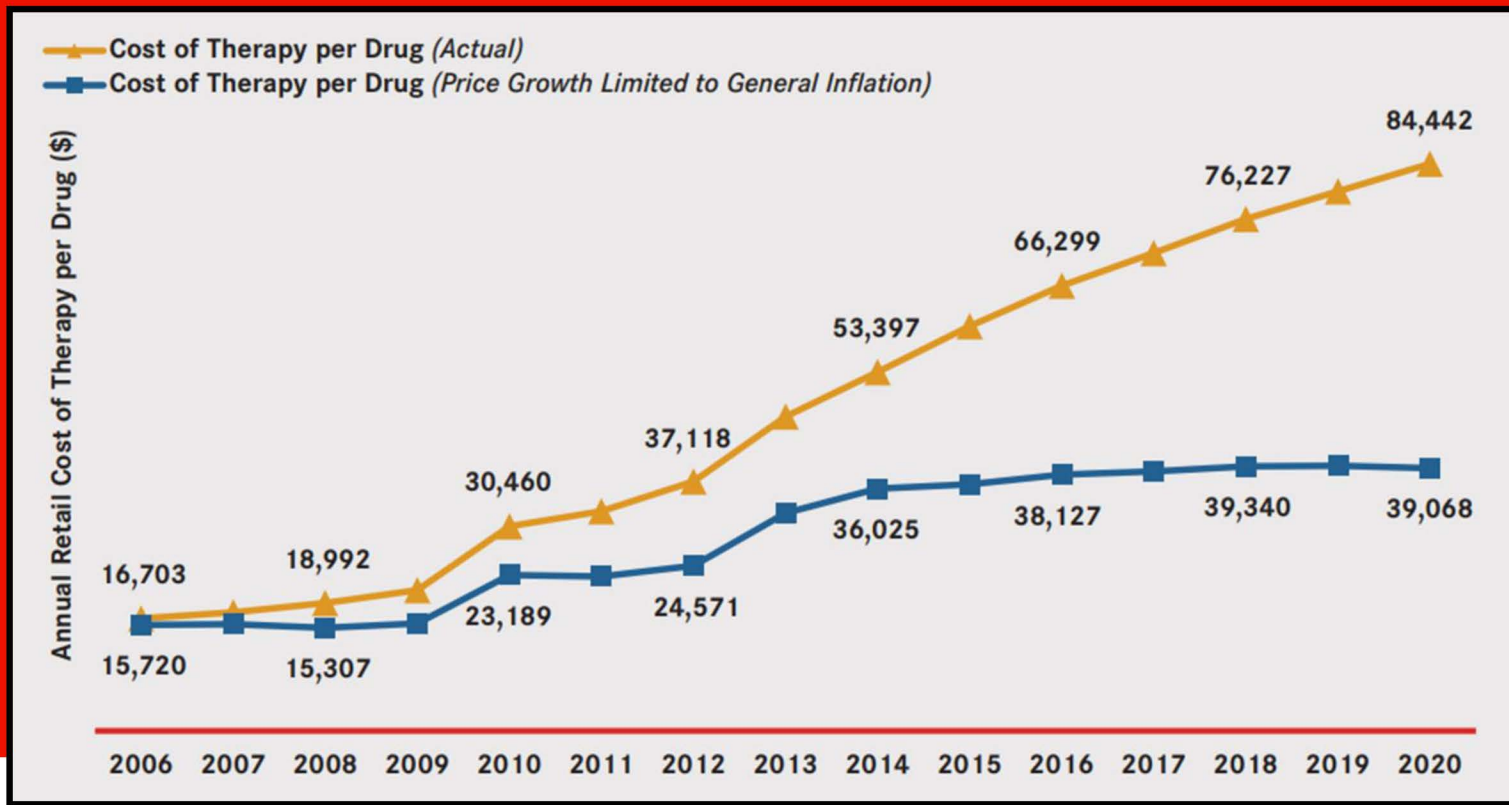
Source: AARP Rx Price Watch Report

## Average Annual Specialty Drug Price Increase Is More than Three and a Half Times Higher than General Inflation in 2020



Source: AARP Rx Price Watch Report



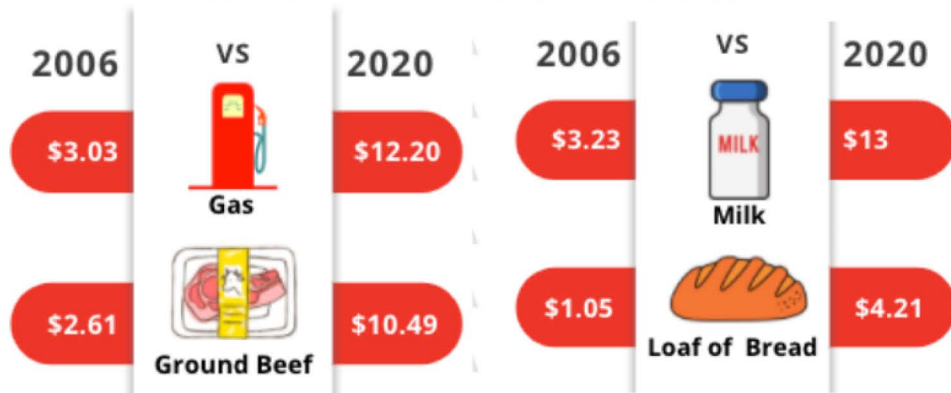


Source: AARP Rx Price Report

## TOO HIGH A COST...

From 2006 to 2020 general inflation rose 32%, but prescription drug costs increased 300% on average. What if basic consumer necessities had seen the same sharp increase?

### CONSUMER NECESSITIES COST



It's time to lower prescription drug prices.



# Impact of Drug Prices

# MEDICARE: PART D

|                 | Enrollees<br>with out-of-<br>pocket<br>spending<br>above \$2,000 | Enrollees with<br>out-of-pocket<br>spending above<br>\$3,100 |
|-----------------|------------------------------------------------------------------|--------------------------------------------------------------|
| National        | 1,217,110                                                        | 307,685                                                      |
| North<br>Dakota | 4,395                                                            | 890                                                          |





# PRIVATE COVERAGE

|                   | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |       |
|-------------------|------|------|------|------|------|------|------|------|------|------|-------|
| Individual Market | 14   | 15   | 16   | 18   | 27   | 32   | 40   | 40   | 39   | 38   | 11.8% |
| Small Group       | 32   | 24   | 25   | 29   | 29   | 34   | 35   | 36   | 37   | 42   | 3.1%  |
| Large Group       | 55   | 65   | 72   | 80   | 96   | 104  | 103  | 102  | 113  | 113  | 8.4%  |

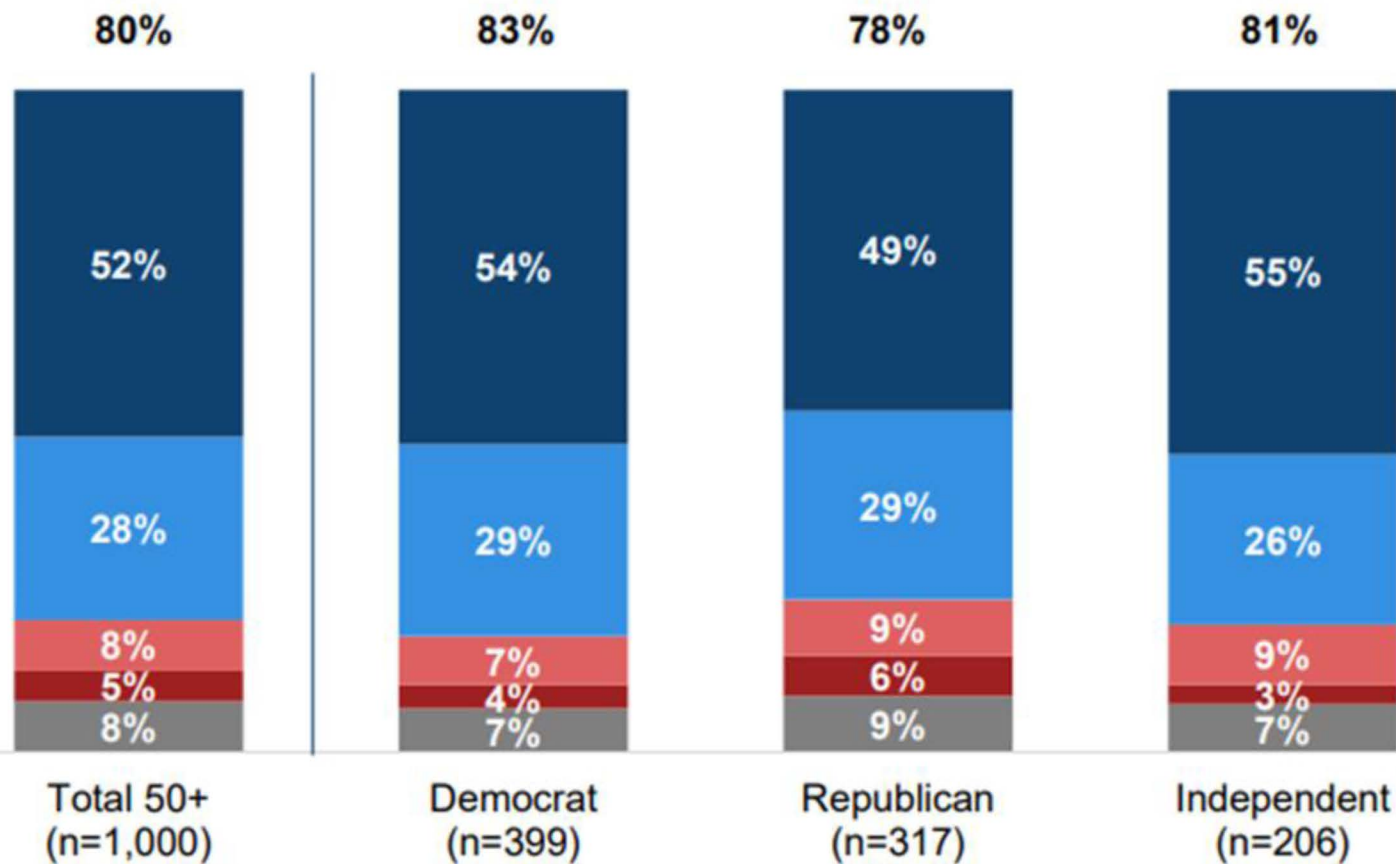
Source: ND Insurance Department: 2021 North Dakota's Health Care Cost Study

## NORTH DAKOTA SPENDING ON RX

- Medicaid
- State Employee Health
- County Prisons
- Special Health Services
- CHIP
- AIDS Drug Assistance Program



# Drug Reforms and Impact



Source: AARP Consumer Views on Prescription Drugs Survey, July 2021.

# DRUG PRICE TRANSPARENCY (HB 1032)

## Quarterly Prices

- 350 in 2021 Q4

## Launch Prices

- 30 new drugs

## Increasing Prices

- 18 in 2021; 53 in 2022 (so far)

# ADDRESSING CONSUMER COSTS

## Out-of-Pocket Caps

- Can be broad or narrow
- Can reduce OOP costs for some consumers
- May increase premiums

## Point-of-Sale Rebates

- Benefits small number of consumers
- May increase premiums
- May increase payer spending

# ADDRESSING PAYER COSTS

## PBM Reforms

- Addresses supply chain activity
- May be broad or targeted
- Does not address price

## Specialized Purchasing

- Interstate or Intrastate Bulk Purchasing
  - Potential shared savings
- Value-based Purchasing
  - Savings on particular drugs

# ADDRESSING PRICES

## Affordability Boards

- Targets drugs that challenge consumer affordability
- Considers broad input and data
- Can establish target or price ceiling

# ADDRESSING PRICES

## State Importation

- Target high priced drugs
- Significant state savings

## Reference Pricing

- Sets new price target
- Accrues savings to state and consumers

# QUESTIONS