



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



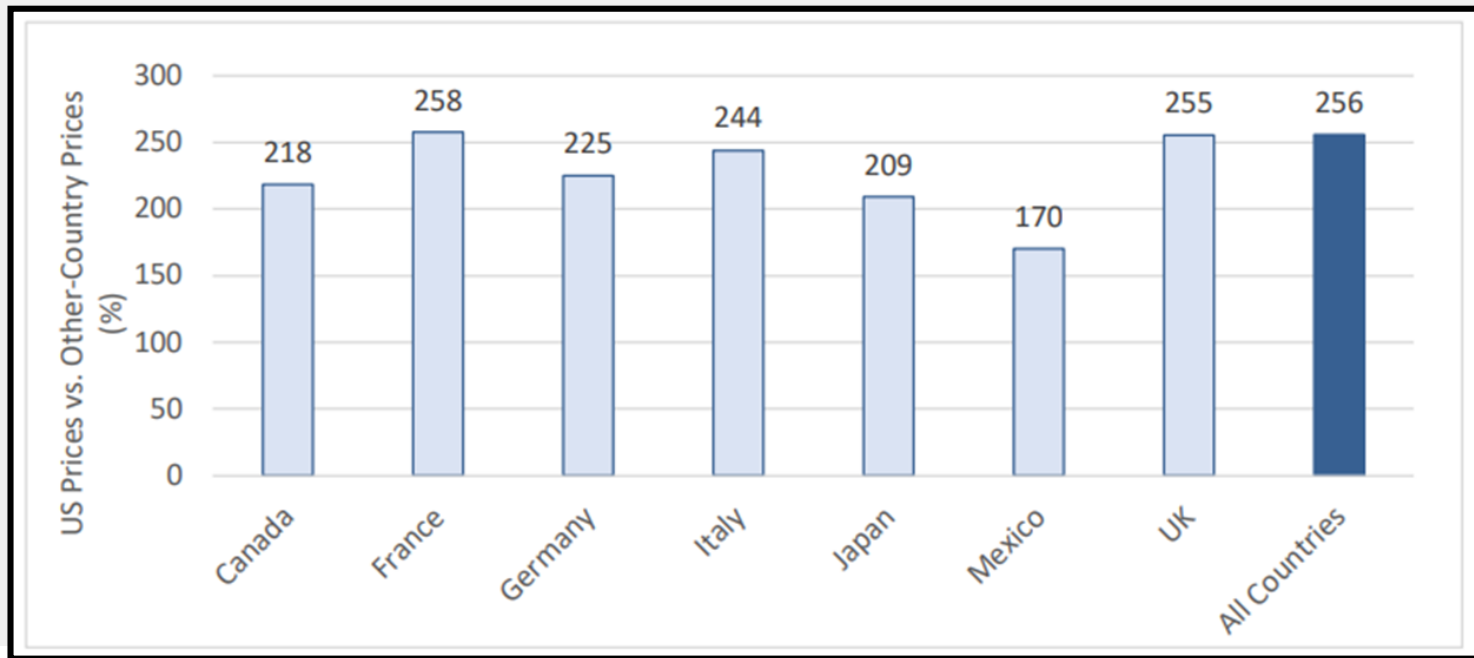


The Challenge

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

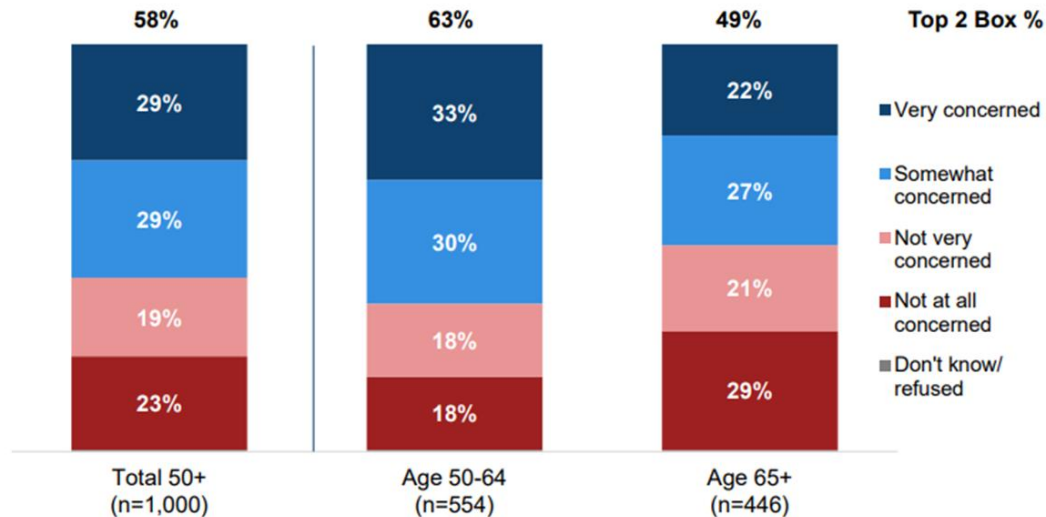


\$8,500

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%).

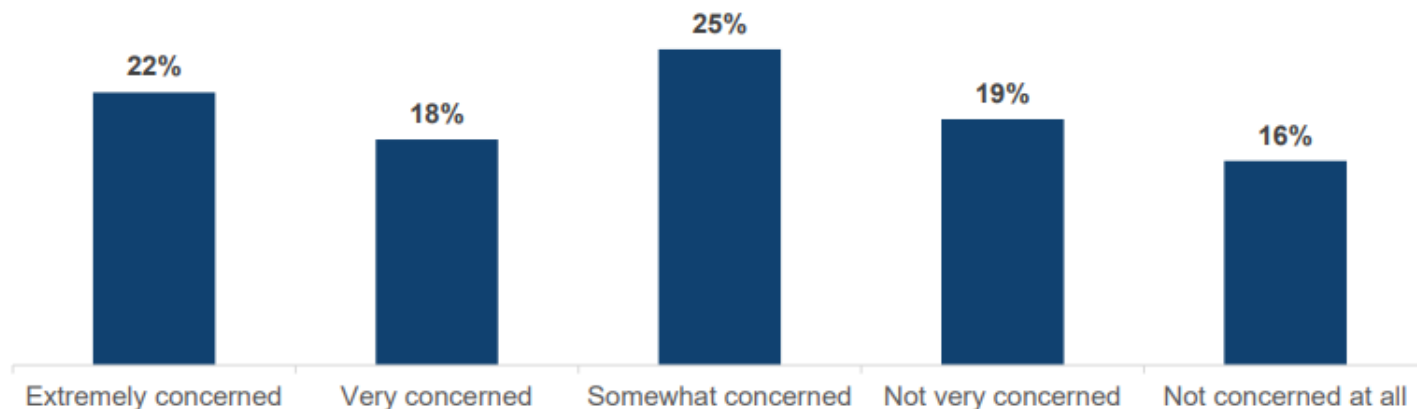
Concern About Affordability of Prescriptions, by Age



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.

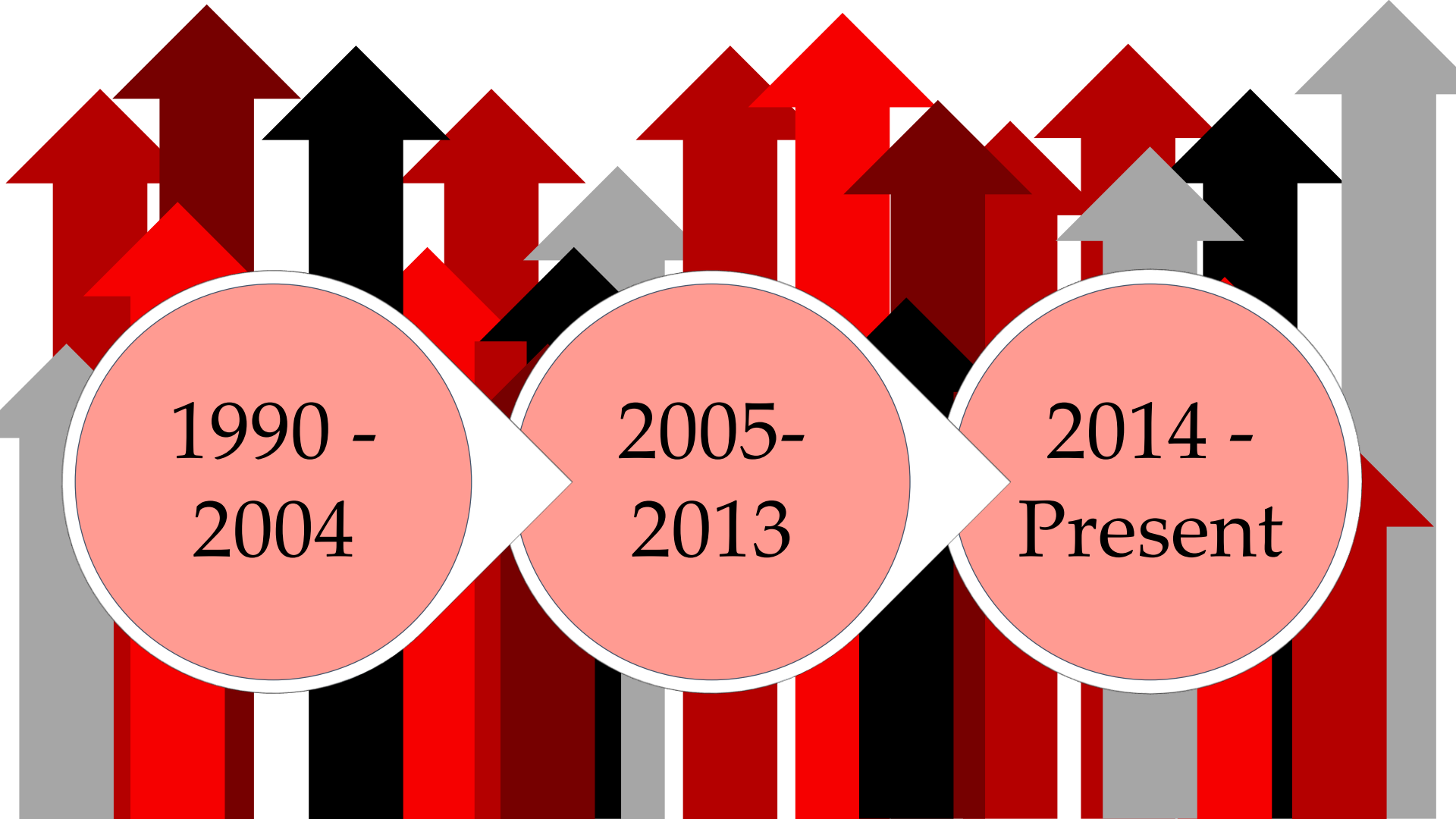
Concern about Affording Prescription Drugs in the Next Two Years*



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

SPECIALTY DRUGS (SUBSET OF BRAND)

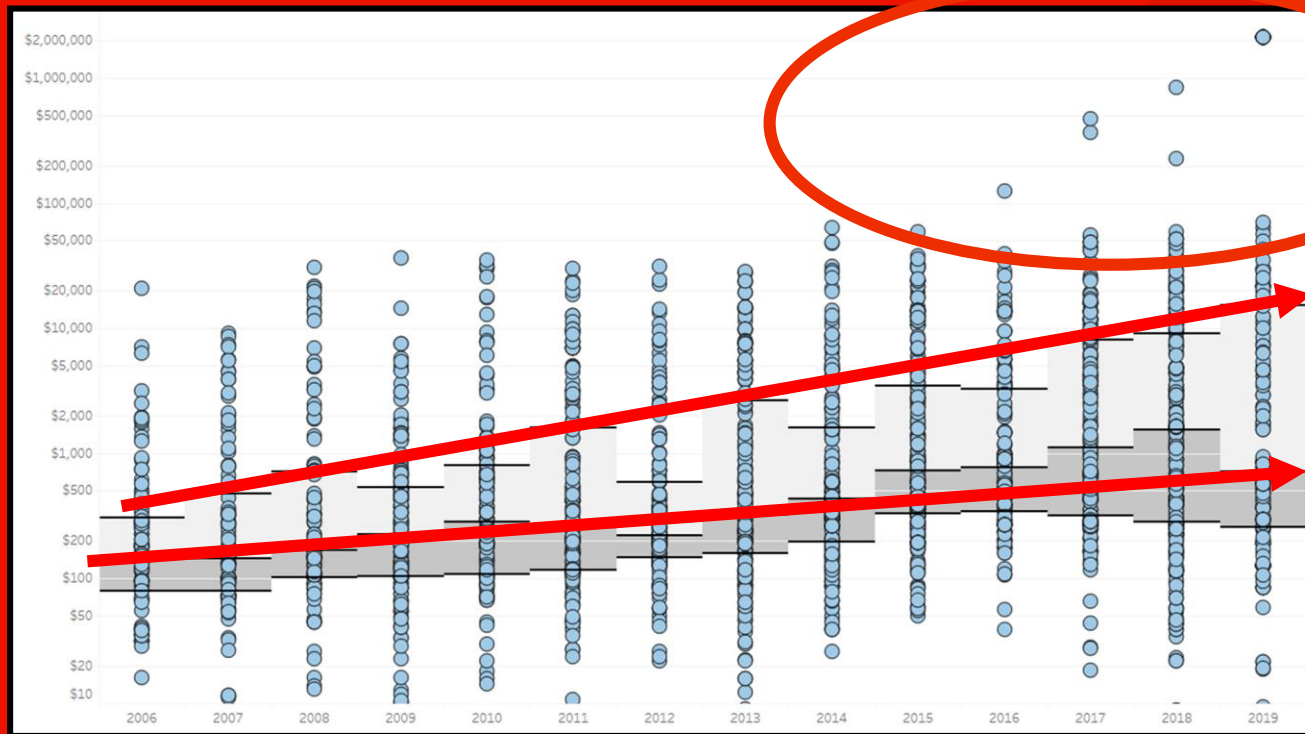
- 2% of prescriptions
- 50% of drug spending

BRAND LIST PRICE INCREASES

**Increases in Median
Price**

**Upper Quartile
Increases 5,000%**

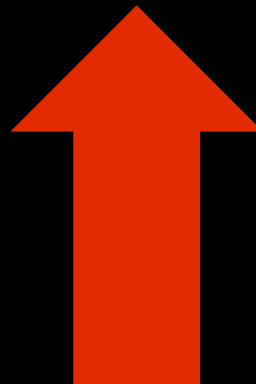
**Outlier drugs have
higher prices**



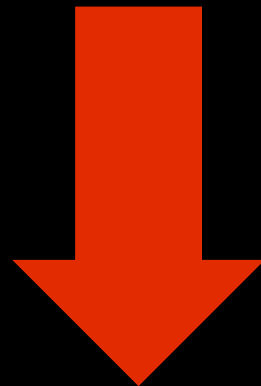
ANNUAL PRICE INCREASES



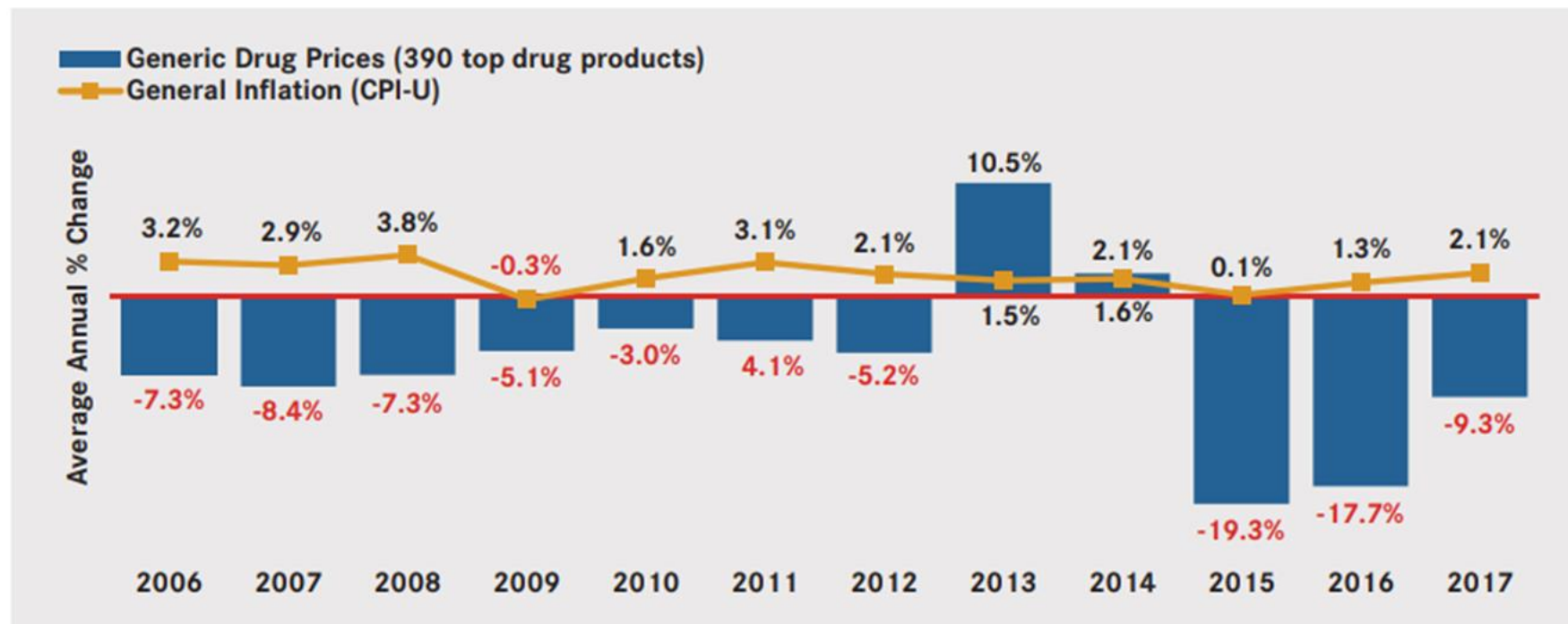
\$78,781



\$50,000

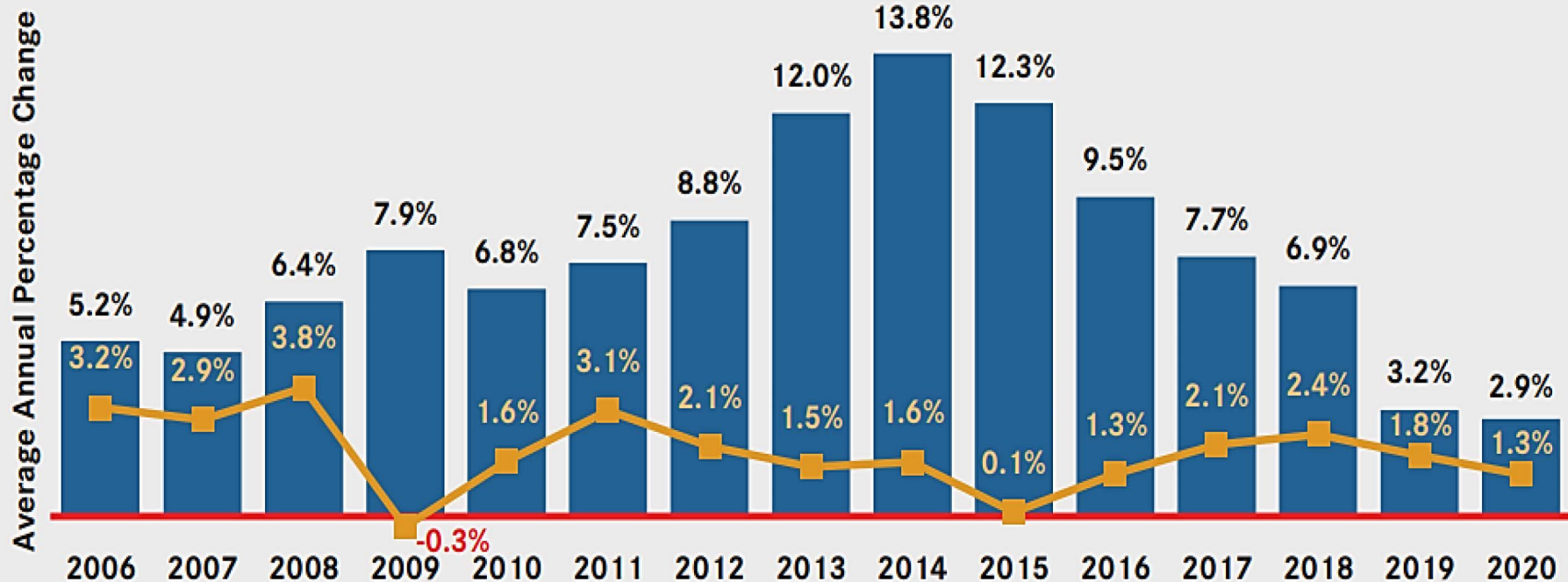


Average Annual Generic Drug Price Decrease Slows in 2017 after Two Consecutive Years of Substantial Price Decreases



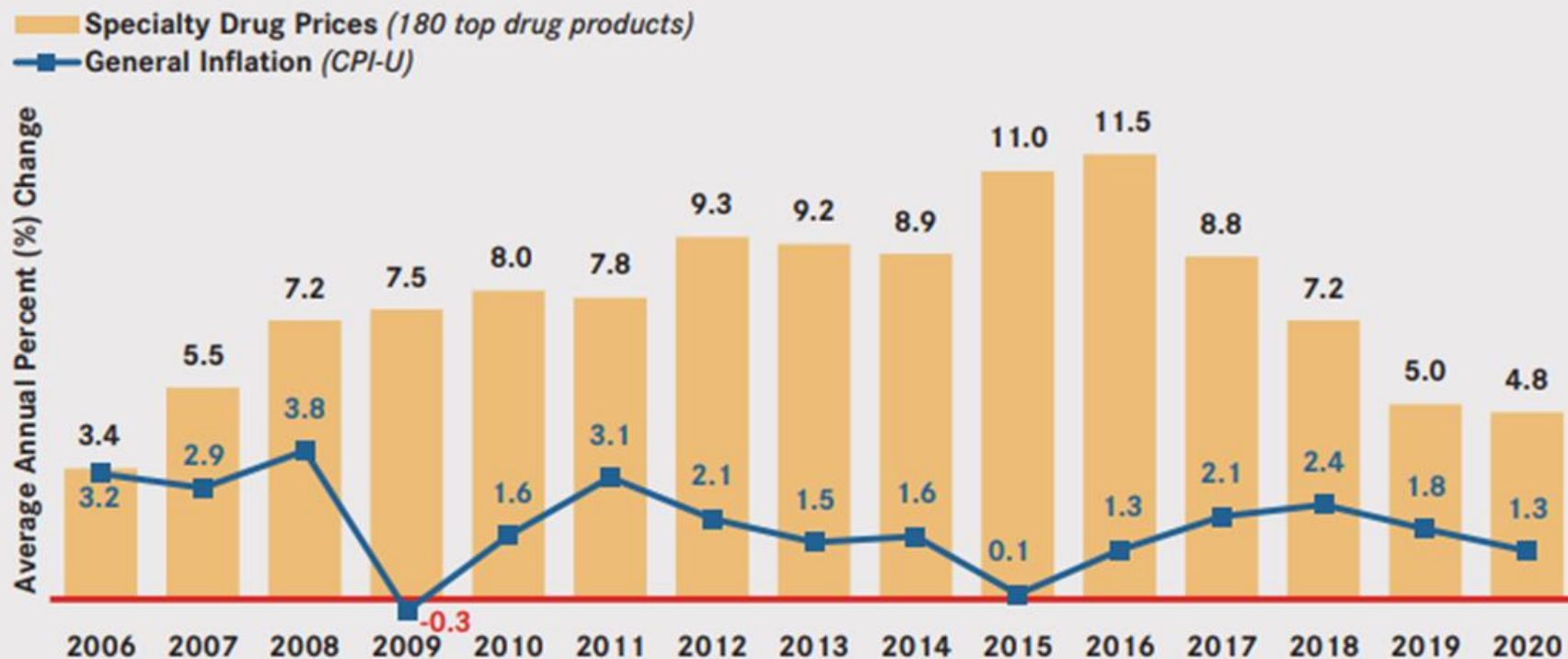
Source: AARP Rx Price Watch Report, <https://www.aarp.org/ppi/info-2019/trends-in-retail-prices-of-drugs.html>

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

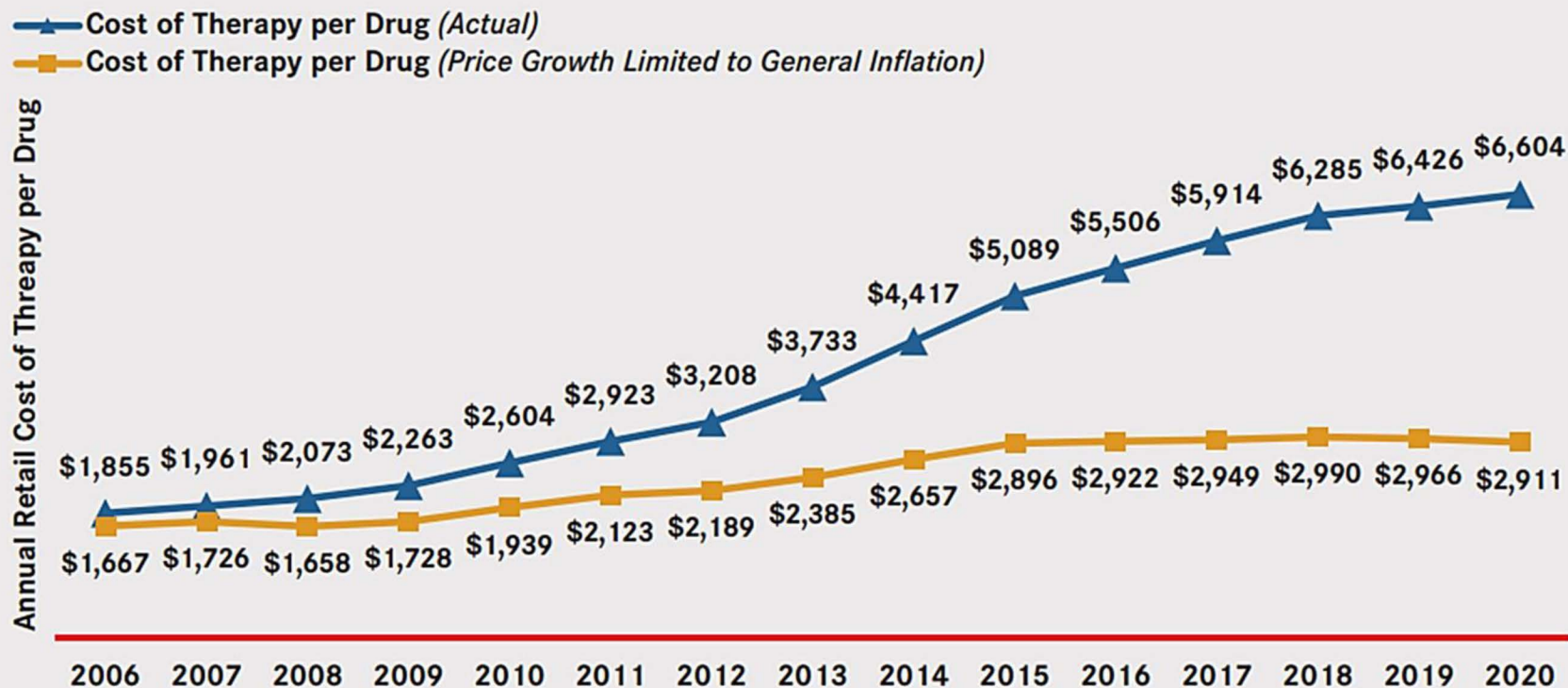


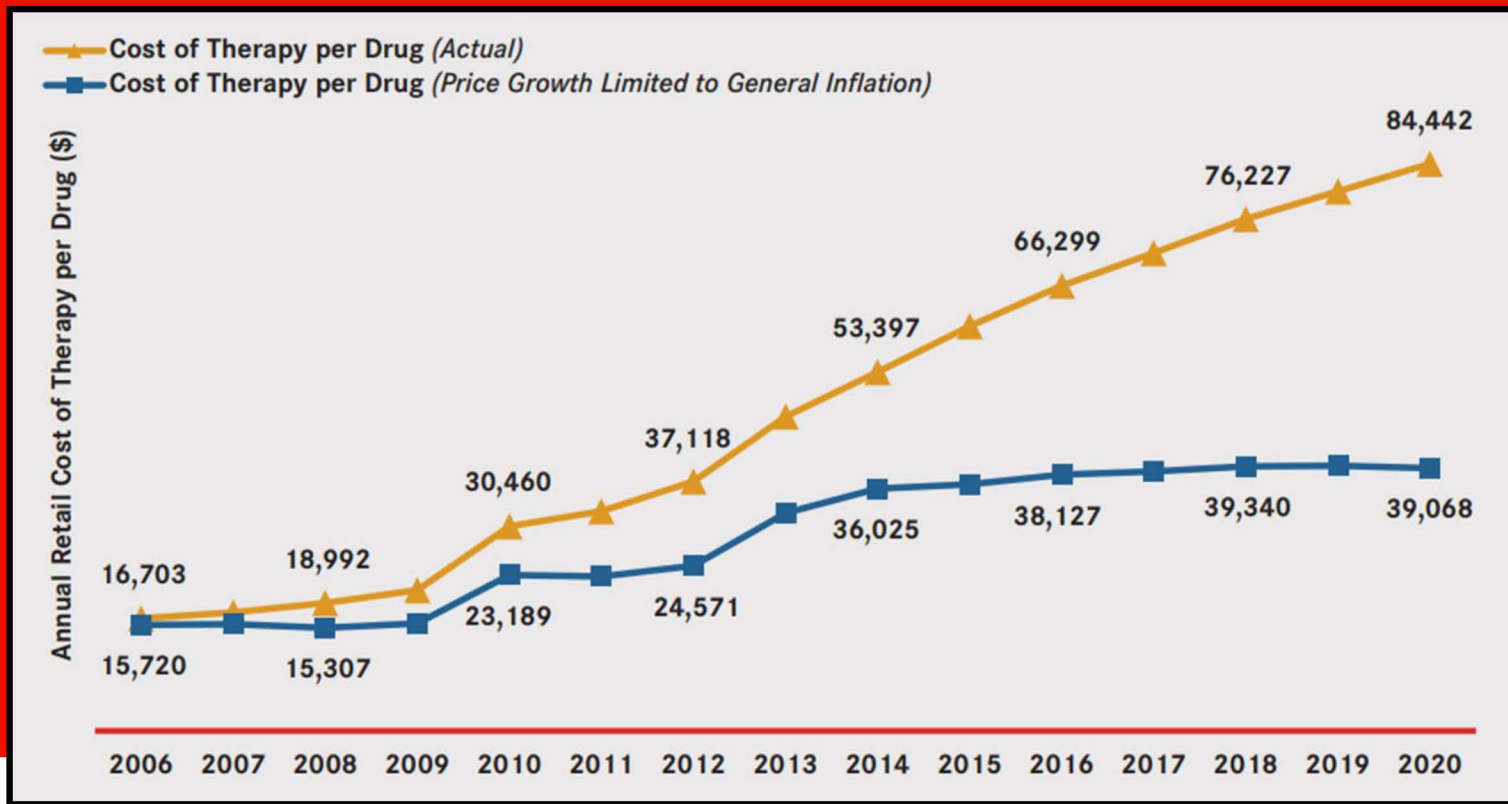
Source: AARP Rx Price Watch Report

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 with out-of- pocket spending above \$2,000	Enrollees with out-of-pocket spending above \$3,100
National	1,217,110	307,685
North 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%

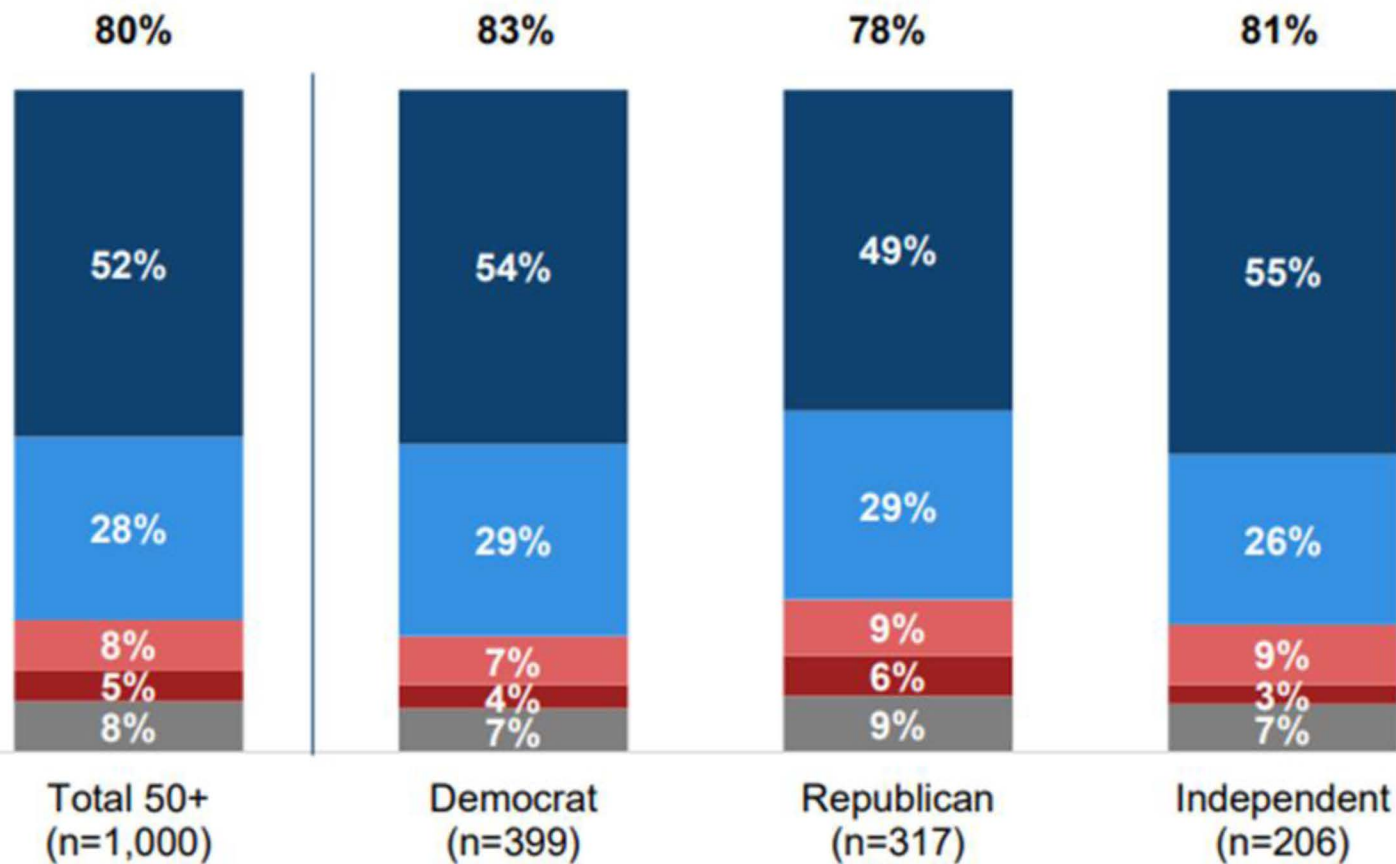
Source: ND Insurance Department: 2021 North Dakota's Health Care Cost Study

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