



# High-Priced Drugs

## NJ Spotlight

**Kris Hathaway**

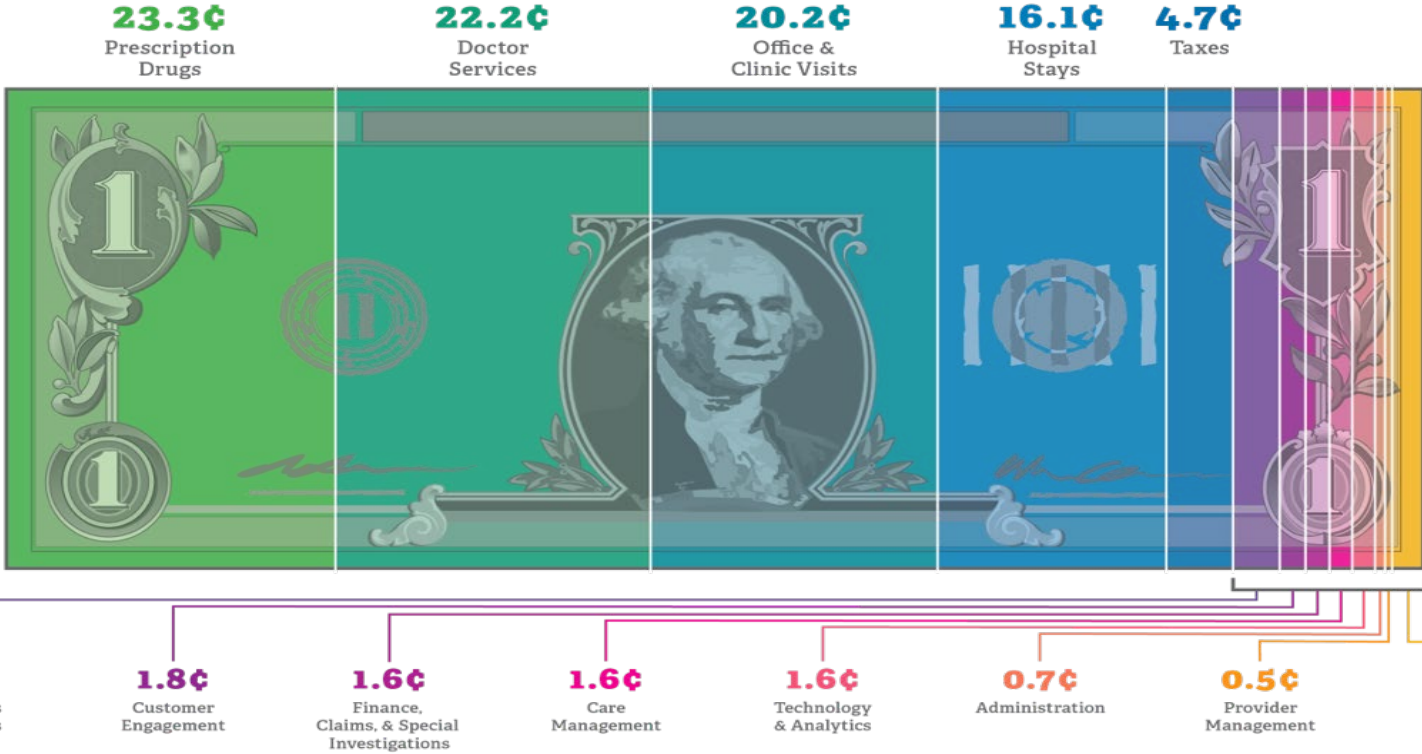
Vice President, State Affairs, AHIP

October 18, 2019  
Hamilton, NJ

# Who is AHIP?

America's Health Insurance Plans (AHIP) is the national association whose members provide coverage and health-related services that **improve and protect the health and financial security of consumers, families, businesses, communities and the nation.**

# Where Does Your Health Care Dollar Go?



Source: [https://www.ahip.org/wp-content/uploads/2017/03/HealthCareDollar\\_FINAL.pdf](https://www.ahip.org/wp-content/uploads/2017/03/HealthCareDollar_FINAL.pdf)

# Rx Spending Growing at Unsustainable Rates

U.S. spending on prescription medicines is projected to reach **over \$600 billion by 2022**



**\$600 billion (2022)**

**\$453 billion (2017)**

**\$380 billion (2014)**

# N.J. Medicaid/FamilyCare Managed Care SFY 2011 Dollar



**Notes:**

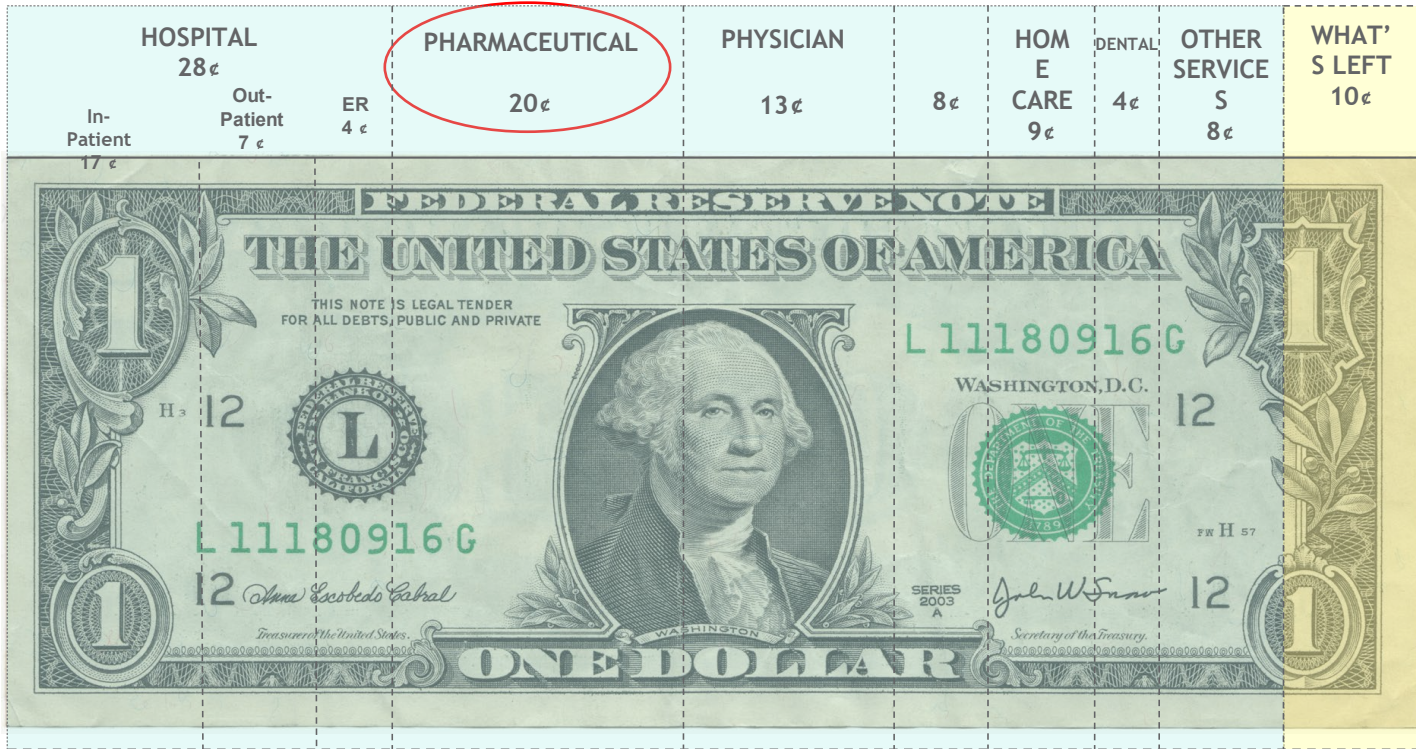
- Reflects ABD Carve out.
- Based on SFY 2011 CRCS NJ Medicaid Managed Care Capitation Rates
- Pharmaceutical does not include Inpatient Rx.

LAB, X-Ray, Supplies & Emergency  
Transportation

Health Promotion Programs, Member Services,  
Care Management, Provider Network  
Maintenance, Underwriting, Other  
Administrative Costs



# N.J. Medicaid/FamilyCare Managed Care SFY 2019 Dollar



**Notes:**

- Does not reflect MLTSS
- Based on SFY 2019 CRCS NJ Medicaid Managed Care Capitation Rates
- Pharmaceutical does not include Inpatient Rx.

LAB, X-Ray, Supplies & Emergency  
Transportation

Health Promotion Programs, Member  
Services, Care Management, Provider  
Network Maintenance, Underwriting, Taxes  
and Fees, Other Administrative Costs

# Marketing v R&D



Source: Vox, "9 of 10 top drugmakers spend more on marketing than research", February 27, 2015, <http://www.vox.com/2015/2/11/8018691/big-pharma-research-advertising>

# Broken and Distorted Pharmaceutical Market

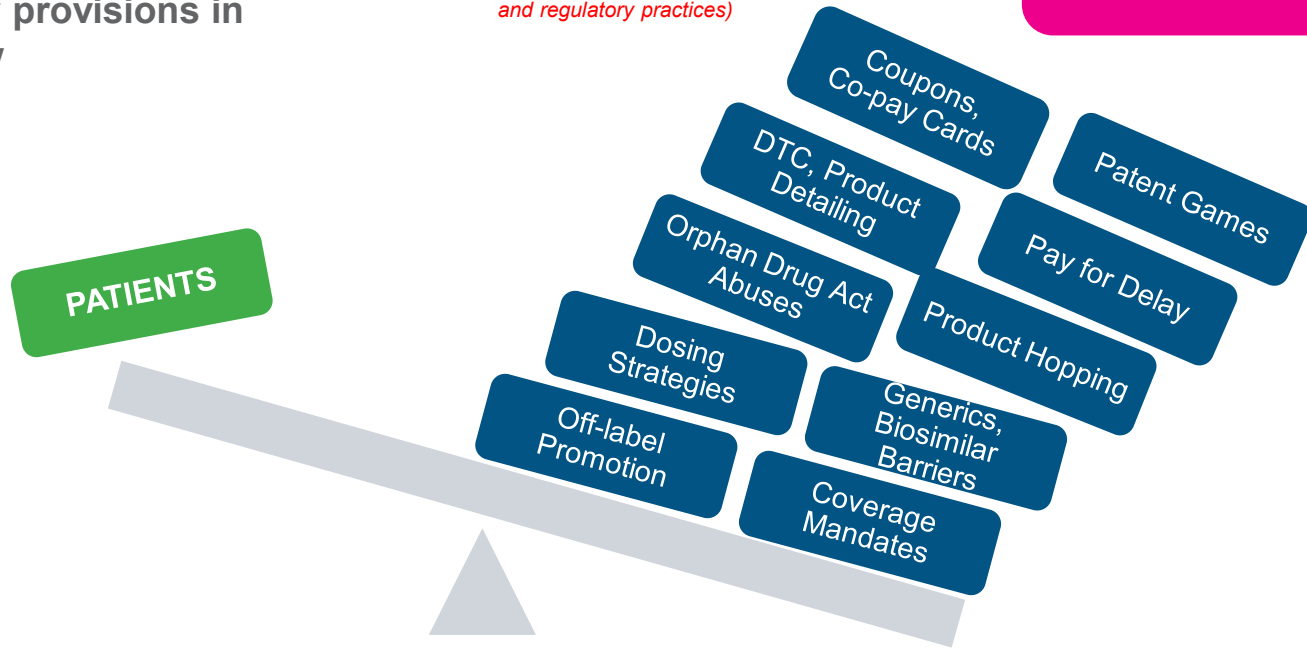
Government-granted monopolies via patent system and market exclusivity provisions in federal law



**Market Dysfunction**  
*(via problematic marketing, legal, and regulatory practices)*



**HIGH PRICES  
HIGHER COSTS**





# Behaving Badly:

Profiting from a Crisis

*“A decade ago, a lifesaving dose of naloxone cost \$1. Today, that same dose costs \$150 for the nasal spray, a **150-fold increase**. A naloxone auto-injector, approved in 2016, costs \$4,500.”*

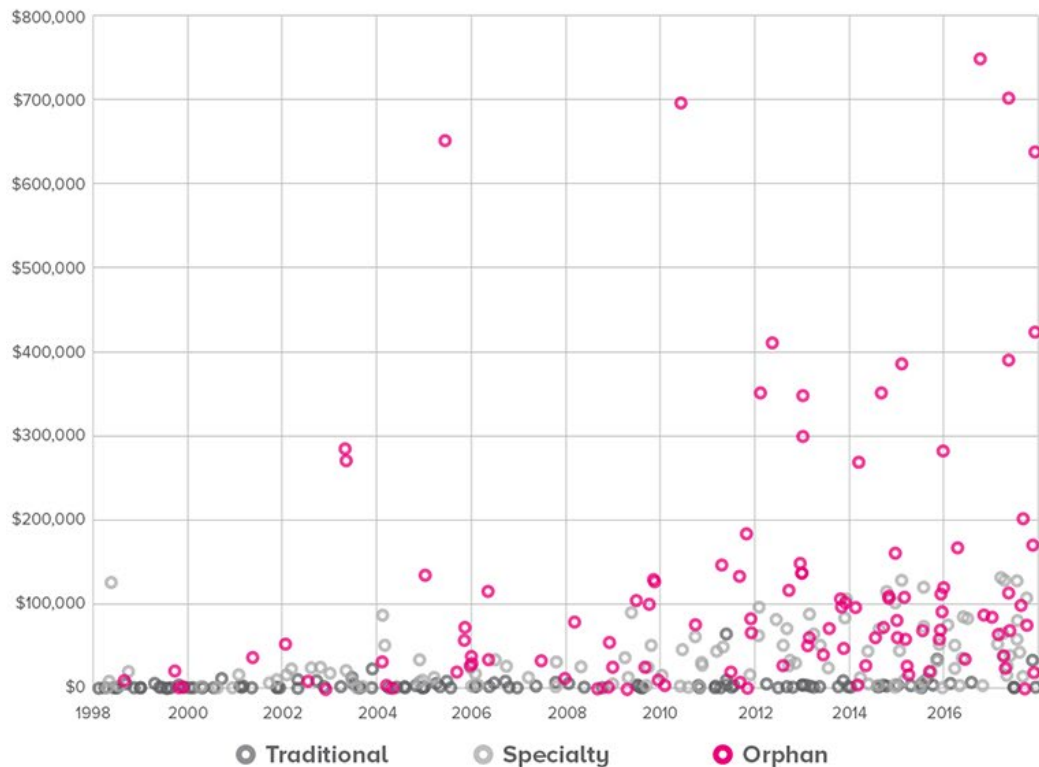
*—STAT, November 2018*

 **NARCAN**<sup>®</sup> (naloxone HCl)  
**NASAL SPRAY 4mg**

  
(naloxone HCl injection)  
0.4 mg auto-injector

## Annual Cost of Drugs at Launch

1998-2017



The average annual drug cost for orphan drugs was \$123,543,

**25 times more expensive than traditional drugs.**

# Our Industry's Market-Oriented Solutions



# State Solutions Encouraged

## Drug Transparency to Consumers

- Drug companies to report when, how much and why their drug costs are increasing + true R&D costs
  - CA, NV, OR, TX
- Limit schemes to game the system

## Drug Transparency to Providers

- Pharma drug reps should include the cost of the drug when marketing to providers

## State Enforcement

- State AGs should continue to investigate price anomalies like shadow pricing and price gouging

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