



News from:
COMPTROLLER KEVIN LEMBO

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**COMPTROLLER LEMBO TESTIFIES FOR MEASURE TO CURB
SKYROCKETING DRUG PRICES**

Comptroller Kevin Lembo, in testimony submitted this week, announced his support for a state measure to reduce skyrocketing pharmaceutical drug costs and improve health-care outcomes for patients.

In written testimony to the state legislature's General Law Committee, Lembo said he supports An Act Establishing a Task Force to Study Value-Based Pricing of Prescription Drugs and thanked the cosponsors for raising the issue.

Lembo, who administers state health plans on behalf of 200,000 state and municipal employees, retirees and their dependents, said he has seen the cost of prescription coverage skyrocket, particularly in the form of specialty drugs. In addition to measures already taken by his office to stop certain aggressive and unsafe practices by pharmaceutical marketers, Lembo said broader state and federal action is necessary.

"Pharmaceutical costs have been rising rapidly, jeopardizing patient care and placing tremendous stress on health care budgets, both public and private," Lembo said. "Unfortunately, the pricing of these prescription drugs is largely unrelated to the drug's actual value. Given these current circumstances, we need every tool at our disposal – and all of the information that we can gather – to make smarter informed decisions to corral runaway pharmaceutical costs.

"Value-based pricing has real potential to change the paradigm of continuously rising drug costs by matching drug prices to the value the new drug provides in terms of improved health outcomes for patients. Value-based pricing aligns the interests of patients, drug manufacturers and pharmacy benefit managers. Such a pricing strategy could both contain costs and improve outcomes. There are many options and methodologies for matching pharmaceutical prices to value. The task force should seek to identify best practices with a focus on improving health

outcomes and containing costs.”

Lembo said that – if the intent of this proposed task force is to consider methods of value-based pricing for both Medicaid and commercial plans – then he requests that his office be represented on the task force “given our role and experience in overseeing the state’s health care plan.”

Last year, Lembo’s office quickly acted after discovering an extreme example of a pricing and marketing strategy for compound prescription drugs, which resulted in exorbitant drug costs with little demonstrated effectiveness in improving patient outcomes. From 2012 through 2015, out-of-state compound pharmacies marketed compound pain and scar creams to Connecticut patients and physicians. The creams were not FDA (U.S. Food and Drug Administration) approved and lacked clinical evidence of their effectiveness.

Despite the lack of independent studies showing safety and effectiveness, an aggressive marketing campaign to both physicians and patients resulted in an exponential increase in the number of compound prescriptions for pain and scar creams being filled by out-of-state pharmacies.

The creams ranged in price from several thousand dollars to more than \$15,000 per script – raising total annual costs for compound medications from \$800,000 per year to more than \$24 million. Lembo’s office acted to institute a prior authorization strategy for compound medications which has ended the practice and brought compound drug spending back to previous levels.

“Our experience with the pricing and marketing of compound drugs is extreme, but not unique,” Lembo said. “It is a clear display of how effective marketing and price gouging can greatly increase pharmaceutical costs without improving health outcomes for patients under the current market-based pricing model for prescription drugs and a clear indicator that a new pricing strategy is necessary.”

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