



News from:
COMPTROLLER KEVIN LEMBO

FOR IMMEDIATE RELEASE

TUESDAY, JANUARY 24, 2017

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**COMPTROLLER LEMBO ANNOUNCES FIVE-POINT PLAN TO
ADDRESS SKYROCKETING PHARMACEUTICAL COSTS**

Comptroller Kevin Lembo today, after exhaustive research and consultation with representatives across all sectors of the health care industry, announced a comprehensive five-point plan to address skyrocketing pharmaceutical drug costs.

Lembo's proposed legislation seeks to address the issue at every angle – including requiring justifications for sharp price increases, establishing oversight of drug costs that exceed certain thresholds, ensuring that consumers benefit from rebate savings, promoting insurance plans that emphasize affordable co-pays and preventive care, and eliminating incentives that perversely encourage providers to prescribe the most expensive drugs.

“The pharmaceutical drug market is in bad health – getting sicker – and we have a prescription for it,” Lembo said. “In a divided country, when we're desperate to find common ground, virtually everyone can agree that prescription drug costs are out of control and must be fixed.

“Just as drug costs are surging, consumers are increasingly bearing a greater share of those costs. This rise in patient cost share, combined with the rising prices of pharmaceuticals is creating a significant financial burden for Connecticut residents.

“I have a five-part proposal today to address the impact of skyrocketing drug costs straining the budgets of the state, our towns and cities, businesses large and small and our households. This plan emphasizes transparency, accountability and common-sense health care policy that puts quality and wellness for everyone above the corporate profits of big Pharma.”

Lembo, who administers the state health plan on behalf of approximately 200,000 lives,

recommended the following:

1. *Require pharmaceutical manufacturers to justify launch prices and price increases over a certain threshold*

To address rising drug prices that appear to be arbitrary and unjustifiable, Lembo proposes a requirement that when drug manufacturers increase prices beyond certain thresholds, (for example, list prices increase over 50 percent in the last five years or 15 percent in the last year or launch prices 30 percent or more above the average price for other drugs in a therapeutic class) they must provide the state with information about total costs for producing specific drugs and costs for research and development, marketing, different prices charged for the drug, total profit from specific drugs, research and development efforts that have not resulted in any approved drugs, details about discounts and rebates provided and, of course, a justification for the launch price or the price increase in question.

The findings of a state review would be reported to the legislature and governor to evaluate the appropriateness of the price increases in question.

2. *Limit the launch price and annual increases of certain high cost drugs*

Establish a working group to evaluate the potential of using the information reported above to regulate drug prices in certain egregious instances through the creation of a state-level drug price review board. The authority would review the launch prices of new drugs and annual increases of existing drugs that exceed certain thresholds. The working group should recommend a process for determining if the launch prices or price hikes are justified and recommend possible state actions to take when increases are deemed unjustified.

3. *Promote the adoption of value-based insurance design*

The state Department of Insurance (DOI) and the state health exchange should be required to promote the adoption of plans that use a value-based insurance design. Value-based insurance for prescription drugs generally encourage medication adherence by reducing or eliminating co-payments and deductibles for drugs that help control chronic conditions. Better managed chronic diseases reduce in-patient hospital stays and emergency room visits by individuals with chronic diseases. The state employee plan has seen significant increases in medication adherence since adopting a lower co-pay structure for maintenance drugs through the state Health Enhancement Plan.

4. *Allow consumers to benefit from negotiated drug rebates.*

Require health plans to base co-insurance and deductible payments on the net price of the drug, post rebate, rather than the list price, allowing the consumer to share in rebate savings

negotiated by the pharmacy benefit manager or plan administrator. For certain highly rebated drugs the list price can be as much as three times more than the final price paid by a health plan after manufacturer rebates.

5. Remove incentives for physicians to administer higher cost drugs.

In 2004, Medicare began to reimburse physicians 6 percent of the acquisition cost of drugs for administration. Commercial payers, which often base their reimbursement policies off Medicare, quickly followed suit. The new policy created a perverse incentive in which physicians were paid more for using more expensive drugs even when lower cost equally effective alternatives were available. It also incentivized drug manufacturers to significantly increase prices. As a result, many physician-administered drugs have seen massive price increases since 2004, with many oncology drugs well in excess of \$100,000 per regimen. The state should require state-regulated insurance plans to completely delink the reimbursement for physician-administered drugs with the costs of the drugs administered in order to eliminate such perverse incentives.

Over the past several years, Lembo has been working with state leaders and Connecticut's congressional delegation to investigate flaws in the pharmaceutical market and implement policies to address the problem.

As administrator of the state plan, Lembo implemented a measure that immediately reduced a multi-million-dollar surge in compound drug costs. He co-hosted a forum last year with the Connecticut State Medical Society (CSMS) that brought together physicians, pharmaceutical companies, academicians, patient advocates and other industry experts to address the skyrocketing cost of medications.

Working with Congresswoman Rosa DeLauro, Lembo also submitted testimony last year to the national Democratic Steering and Policy Committee, which has been investigating these issues at the federal level.

Lembo also serves on a working group of the NASHP (National Academy for State Health Policy), which recently issued a report recommending proposed state action, some of which is reflected in Lembo's legislative proposal today.

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