

# Pharmaceutical middlemen face pressure

By Erin Durkin

THE TRUMP administration is pressing forward with the president's campaign promise to combat high drug prices, but it isn't necessarily going after the manufacturers that he described last year as "getting away with murder."

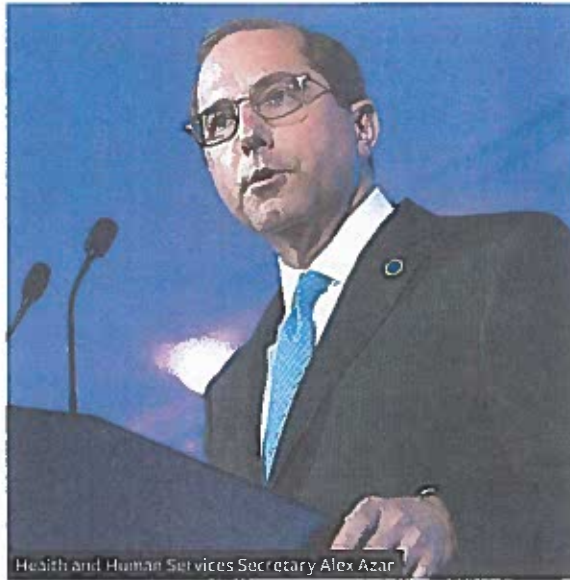
Instead, Health and Human Services Department officials have recently touted their push for more price transparency with a focus on rebates negotiated between "middlemen"—insurers and pharmacy-benefit managers, third-party organizations that manage drug benefits—and drug manufacturers.

"This thicket of negotiated discounts makes it impossible to recognize and reward value, and too often generates profits for middlemen rather than savings for patients," said HHS Secretary Alex Azar in prepared remarks last week at an America's Health Insurance Plans event.

His comments came a day after Food and Drug Administration Commissioner Scott Gottlieb blasted the practice of rebates and the opaqueness of the system at the same conference. "Currently, PBMs and insurers profit from the spread between wholesale acquisition cost and the actual rebated price," Gottlieb said. "These rebates can amount to tens or hundreds of million dollars in annual PBM revenues."

One insurance company has already started moving in the Trump administration's direction. UnitedHealthcare last week announced it will be passing savings from rebates directly to consumers, a move that garnered praise from administration officials. The new policy would apply to 7 million consumers, the company says.

Rep. Earl "Buddy" Carter told *National Journal* that the effort to lower drug prices needs to start with the insurers and pharmacy-benefit managers. "If we look at the middleman, then I think we'll have a better understanding of where these supposed rebates



Health and Human Services Secretary Alex Azar

are going and I think it'll have a much quicker effect of bringing prescription-drug prices down," he said.

There is a growing push from patients to adopt the kinds of changes that UnitedHealthcare is pushing, said Dan Mendelson, president of Avalere Health. "United is smart to be erasing this practice, because the more consumers learn about this practice, there is a lot of momentum behind passing on these rebates to individuals at the point of sale," he said.

He also emphasized that the administration is trying to increase competition as a way to bring down drug prices. "I think the thing they are not doing is setting prices, or going in with more prescriptive price controls," Mendelson said. "I think what they're proposing is smart, because there is a strong consensus that increasing the competitiveness of these markets will improve matters for consumers."

Mendelson said UnitedHealthcare's policy is similar to what the administration wants for Medicare's prescription-drug-benefit program, or Part D. As part of a proposed rule

released in November, the Centers for Medicare and Medicaid Services solicited comments on a policy that would pass on some manufacturer rebates and all pharmacy price concessions to the beneficiary at the point of sale.

The proposal drew praise from a large bipartisan group of House lawmakers. "Senior citizens should not be forced to pay cost-sharing on artificially inflated drug prices at the pharmacy counter that quickly force them into the coverage gap, therefore this proposal is vital in reducing costs for our vulnerable seniors and ensuring they have access to the medications they need," they wrote to the agency in January.

But Rep. Morgan Griffith, who led the lawmakers in sending the letter, told *National Journal* that UnitedHealthcare's decision is not on par with the Part D proposal because it's like "the fox watching the henhouse."

He said lawmakers on the Energy and Commerce Committee learned through a hearing about how insurers and pharmacy-benefit managers have encouraged manufacturers in some circumstances to raise the price of a drug to get a bigger rebate.

"I don't know that I can say that is something they should be congratulated for," he said. "Because what they've in effect done is they've raised the prices to a certain extent so that we found ... in some cases, the consumer's better off to say, 'Forget my insurance that's supposed to be taking care of me,' go directly to the pharmacist and say, 'I don't have insurance, how much is it going to cost?' and it's cheaper than the price that's allegedly discounted if they use their insurance."

While insurers and PBMs are getting a lot of attention, Azar indicated that the drug manufacturers have a role to play as well, but warned against a level of transparency that he said would not actually assist consumers and instead may lead to price increases.

"We're hoping for transparency as much as possible from all players in the system as the information is relevant to patients, especially at the point of sale," he said at a briefing with reporters last week. "There is a balance, though, especially when one is talking about commercial arrangements and negotiated information behind the scenes, to ensure that transparency doesn't lead to anticompetitive actions or behaviors that in fact could drive up costs." □

## ADDING UP PRESCRIPTION-DRUG SPENDING

■ Drug spending actually saw a slowdown in 2016 and did not grow as much as spending on other services, according to the Kaiser Family Foundation. But the Centers for Medicare and Medicaid Services still projects that drug spending will continue to be a larger portion of health spending over time.

When asked about policy options for keeping prescription-drug costs down, the Kaiser analysis found, 86 percent of Americans are in favor of requiring drug companies to report on how Rx prices are set. "Eighty-two percent favored allowing Medicare to negotiate with drug companies for lower drug prices, 78 [percent] favored limiting prices for high-cost drugs (e.g., for cancers and Hepatitis C), and 71 [percent] favored allowing the purchase of drugs imported from Canada," the study stated.