Academic Articles & Reports Roundup: June 2017

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Happy July! In this Roundup of articles from the past month, we cover five articles all published in June. The topics this month include 1) Maryland's anti-price gouging law|2) the 2018 medical cost trend|3) lowering generic drug costs through effective price transparency|4) state efforts to establish cost sharing standards|and 5) the effects of insurance coverage expansions.

Maryland's Anti-Price Gouging Law

The New England Journal of Medicine published an article titled, Targeting Unconscionable Prescription Drug Prices – Maryland's Anti-Price Gouging Law by Jeremy Greene, and William Padula. Until recently, state and federal legislatures have allowed firms to use monopolistic strategies to engage in price gouging for essential drugs. In May 2017, Maryland enacted a law prohibiting price gouging on essential off-patent or generic drugs. The law allows Maryland's Attorney General to prosecute firms that intentionally engage in unconscionable price increases in non-competitive off-patent drug markets. Even though this is a major step in state drug price reform, the law is not without its limits. The Attorney General must provide the manufacturer or distributor an opportunity to explain the reasoning of the price increase before bringing action. Additionally, the Attorney General can only bring charges on off-patent pharmaceuticals if the market is no longer competitive. The law will not affect manufacturers that can prove they require high prices to cover high production and distribution costs. It is too soon to tell what the state and national effects will be, but other states have expressed interest in producing similar legislation to combat unwarranted price increases for essential off-patent medications.

The 2018 Medical Cost Trend

Every year, the PwC Health Research Institute releases its Medical cost trend: Behind the numbers annual report. This year, Kelly Barnes, Benjamin Isgur, and Rick Judy calculated 2018's medical cost trend at 6.5%. The medical cost trend measures anticipated health spending growth in the employer-based market. Essentially, the per capita costs for medical services that affect commercial insurers and large self-insured businesses will increase by 6.5% from the previous year. Insurance companies use the medical cost trend to help set premiums by estimating what the same health plan this year will cost the following year. According to the report, the three factors putting upward pressure on the medical cost trend include: 1) rising general inflation|2) movement away from high-deductible plans|and 3) fewer branded drugs coming off patent. Healthcare costs have generally tracked inflation, and with a growing economy, future inflation is inevitable. The Touchstone Survey of Major US Companies reported only 28% of employers are considering offering high deductible health plans as the only benefit options for the next three years compared to 44% of employers that offered these plans in 2014. The movement away from high deductible plans will ease some of the downward pressure on utilization and thus push medical cost trends upwards in 2018. Finally, in 2017 $11.1 billion worth of pharmaceuticals will go off patent which is a 41.3% drop from 2016. The dip in drug patent expiration in 2016 and 2017 will result in fewer new generic drugs entering the market in 2018. The report also claims that political and public scrutiny on high drug prices and employers' recent focus on targeting the right people with the right treatments may help to off-set health spending increases.

Lowering Generic Drug Costs Through Effective Price Transparency

The Brookings Institution report Would Price Transparency for Generic Drugs Lower Costs for Payers and Patients? by Steven Lieberman and Source Advisory Board Member Paul Ginsburg outlines how to effectively provide payers with information on actual average prices paid by retail pharmacies to acquire generic drugs. In order for price transparency to be effective, Lieberman and Ginsburg propose making the

actual average generic drug price information, which are generally kept secret, accessible to third party payers. Offering actual average drug pricing information to health plans will reduce the risk of price collusion and in turn lower generic drug spending. To achieve this result, the authors recommend the federal government require wholesalers to report the ingredient costs for all retail sales of multi-source generic drugs to CMS. Accurate data on generic drug ingredient costs is predicted to influence two distinct transactions: 1) prices paid to manufacturers by pharmacies|and 2) prices paid to pharmacies by health plans but negotiated on the plan's behalf by PBMs. The report concludes that providing health plans with actual generic drug price information leads to lower reimbursement to retail and mail-order pharmacies. This effect could create savings of $4 billion for every $1 reduction in the average reimbursement for a generic prescription and thus lead to a dramatic decline in health spending for patients.

State Efforts to Establish Cost Sharing Standards

Sandy Ahn and Sabrina Corlette from the Georgetown Health Policy Institute recently published their issue brief titled State Efforts to Lower Cost-Sharing Barriers to Health Care for the Privately Insured. In the issue brief, the authors claim consumers' out of pocket costs for accessing services have climbed rapidly over the past few years largely because of higher deductibles, coinsurance, and copayments. States are the primary regulators of health insurance in the individual and small group markets. However, very few states are using their legislative authority to establish cost-sharing standards. According to the Georgetown Health Policy Institute's recent study, only six states – California, Connecticut, Massachusetts, New York, Oregon, Vermont – and D.C. have passed laws aimed at lowering cost sharing for specific healthcare services in the individual and small group markets through state prescribed standardized plan designs. These standardized plan designs provide pre-deductible coverage of key services with low to moderate copayment amounts. In every state except New York, the pre-deductible services include doctor's visits for non-preventative primary care, specialty care, mental health and substance use disorder treatment, urgent care, and generic prescription drugs. New York only provides access to prescription drugs pre-

deductible and does not require coverage of any medical services pre-deductible. Reducing and eliminating financial barriers to essential care remains an important policy goal. If successful, non-active states will likely learn from the six study states and may enact similar plans of their own.

Insurance Coverage Expansion Improves Health

Don't miss The New England Journal of Medicine's article, Health Insurance Coverage and Health – What the Recent Evidence written by Benjamin Sommers, Atul Gawande, and Katherine Baicker. In this piece, the authors reviewed and synthesized high quality studies focusing on the effects of healthcare coverage published over the past decade. The brief concludes coverage expansion increases patients' access to care and use of preventative care, chronic illness treatment, medications and surgery. On the other hand, reducing coverage significantly harms health outcomes, especially for people with lower incomes and chronic conditions.

As always, feel free to send us Articles and Reports you think should be in The Round up. We hope you enjoyed this reading list. See you next month!