



June 16, 2017

Hon. Lamar Alexander
Chairman, Senate HELP Committee
455 Dirksen Senate Office Building
Washington, DC 20510

Hon. Patty Murray
Ranking Member, Senate HELP Committee
154 Russell Senate Office Building
Washington, DC 20510

Dear Chairman Alexander and Ranking Member Murray:

The Alliance of Community Health Plans (ACHP) appreciates the opportunity to share our perspective on the rising cost of prescription drugs. For many health plans, including ACHP member plans, the unsustainable increase in drug costs is putting significant strain on consumers.

ACHP brings together innovative health plans and provider groups that are among America's best at delivering affordable, high quality coverage and care. ACHP plans serve more than 18 million Americans across 27 states and the District of Columbia, including 2.4 million Medicare beneficiaries. In an effort to curb rising drug costs, our members have implemented rigorous medication therapy management programs and evidence-based prescribing guidelines to educate providers and patients. While these efforts are productive, they are not enough to reduce the significant financial burden skyrocketing drug costs place on the entire health care system.

We propose bipartisan strategies for the Committee to consider in four categories:

- Transparency
- Competition
- Use of Medicare Part D and other Authorities
- Value

Transparency and Competition

Increased transparency and competition are critical steps in addressing the rising price of pharmaceuticals. Transparency, along with policy changes to improve market competitiveness, will help bring down prices for consumers. Specifically, the federal government can consider:

- **Efforts to reduce anti-competitive behavior in the pharmaceutical marketplace:** ACHP offers its support for the *Creating and Restoring Equal Access to Equivalent Samples (CREATES) Act of 2017* (S.974), bipartisan legislation to help prevent tactics used to delay generic competition, such as preventing access to samples necessary to demonstrate that a generic product is equivalent to a branded drug.
- **Efforts to improve private sector transparency in the pricing of prescription drugs:** ACHP [supports](#) the *Fair Accountability and Innovative Research Drug Pricing Act of 2017* (S.1131). This

bipartisan legislation would provide needed transparency to the way prescription drug prices are set. Building an information base about pricing is an essential first step to addressing the issue of skyrocketing drug costs.

- **Efforts to restore the *Orphan Drug Act* to its original Congressional intent:** Additional, well-established anti-competitive activities are employed by biopharmaceutical companies to prevent or delay the market entry of generics. These tactics include the liberal application of the *Orphan Drug Act* by companies to extend exclusivity for their branded, more expensive, products. ACHP recommends narrower clarifying language to restore the intended purpose of the Act so that it is not used as a vehicle to artificially extend patent monopoly of expensive, branded products.
- **Efforts to improve communication between pharmaceutical manufacturers and health plans:** ACHP believes enhanced dialogue between pharmaceutical companies and health plans, particularly about health care economic information (HECI), would provide greater market stability and help plans make formulary decisions. ACHP recommends Congress direct the FDA to finalize its guidance outlining how drug manufacturers can communicate with health plans regarding economic information such as pricing.
- **Efforts to improve transparency on prescription drug pricing via Medicare Parts B and D:** In December 2015, HHS released a Medicare Drug Spending Dashboard providing information on spending in both Medicare Part B and Part D drugs. Specifically, the dashboard included information on drugs with high spending on a per user basis, high spending for the program overall, and high unit cost increases in recent years. ACHP believes this tool provides great transparency and recommends Congress amend the *Public Health Service Act* to direct the Secretary of HHS to continue publishing this dashboard in its current form.

Medicare Part D and Other Authorities

- **CMS should strengthen tools available to Medicare Part D plans to control utilization and spending. These include:**
 - ✓ Allowing greater discretion for mid-year formulary modifications
 - ✓ Requiring greater clinical evidence as the basis for physician-requested “exceptions”
 - ✓ Using preferred specialty pharmacies
 - ✓ Allowing “split fills” or “short cycle” fills for prescriptions

Value

The shift from payment based on volume to payment based on value has sparked interest among payers and pharmaceutical companies in new pricing and contracting arrangements for prescription drugs. The objective is to reward drug manufacturers for results, paying for improved patient outcomes from successful therapies rather than paying for volume of sales. Stakeholders are considering a range of products that could be covered, from high-cost specialty pharmaceuticals to more conventional drugs. ACHP recommends the following:

- **Support the expansion of value-based pricing in public programs, including Medicare and Medicaid:** Under current law, neither Medicare nor Medicaid are structured to accommodate innovations in value-based payment models. Steps should be taken to encourage value-based

purchasing innovations so all parts of our health care system benefit from market-based solutions to lower drug prices.

- **Consider value-based benchmarking to determine the appropriate price for a drug based on its benefits and promote rational pricing:** Some drugs are likely to be priced at artificial levels that substantially exceed the benefits provided (including some specialty drugs) while others may be underpriced.
- **Require pharmaceutical manufacturers to compare cost and outcomes of new versus existing drugs:** Through comparative effectiveness research (CER) studies, manufacturers should demonstrate a new product is better than existing products so that physicians and patients can make smart decisions and reduce spending on unnecessary or ineffective treatments.

Examples of ACHP Member Plans Innovation

ACHP and its member plans are leading the way towards a more value based, innovative health care delivery system. By thinking outside the box, Capital District Physicians Health Plan (CDPHP), in Albany, NY, has begun [employing pharmaceutical sales](#) representatives to educate providers on effective and affordable medications. These efforts have, in one specific case, already resulted in providers switching patients to a generic alternative and saving approximately \$5 million per year.

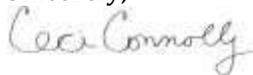
SelectHealth, based in Salt Lake City, UT and affiliated with Intermountain Health System, is evaluating the specific value provided by some generic drugs. Optimizing dosages of two generic medications has generated \$740,000 in cost savings annually. Pharmacists also engage providers in one-on-one conversations about therapy optimization, and in one case have saved over \$500,000 annually.

On June 1st, ACHP released the latest in our [drug prices infographic series](#), highlighting the need for a more robust and effective [generics](#) market. ACHP believes many of the above mentioned proposals would go a long way towards creating a more competitive pharmaceuticals market for patients and consumers.

We appreciate the Committee's commitment to tackle the cost of prescription drugs. ACHP member plans see the significant financial burden high prescription drug costs have on patients every single day and welcome the opportunity to work together to develop market-tested solutions.

As always, if you or your staff have any questions, please do not hesitate to contact me at cconnolly@achp.org or 202-785-2247.

Sincerely,



Ceci Connolly
President and CEO