Department of Health and Human Services Public Hearing

Drug Transparency 2024 Report Presentation

May 30, 2024, 10:00AM

Meeting Minutes

Program Manager, Linda Fox

Management Analyst, Jessica Gerhow

Public Hearing to present the 2024 Nevada Drug Transparency Report pursuant to Nevada Revised Statutes (NRS) 439B.650.

The hearing started at 10:00 AM Pacific Standard Time (PST) on May 30, 2024 and was held via Microsoft Teams. There were 25 attendees.

Members of the public were offered the opportunity to make oral comments at this meeting.

Public comment: No public comment was made.

Open Hearing with presentation of 2024 Nevada Drug Transparency Program and the 2023 Annual Report and Findings

What is a transparency program? The intent of the program is to gather data from various entities that impact drug prices across the drug supply chain. This program then analyzes the data and the reports that are submitted, and the intent is for this information to be helpful to both lawmakers, making decisions about potential legislation and consumers making decisions about acquiring their own medications at affordable prices.

More and more states now have a drug transparency program. Currently it is now estimated to be 15 states. These states vary considerably in their scope, such as the triggers for reporting requirements and what data is required. A state-by-state breakdown of these details is available through the National Academy for State Health Policy (NASHP). According to NASHP, these programs shed light on drug pricing by requiring manufacturers and other supply chain entities to provide information and drug pricing. These programs establish accountability around manufacturer price increases or high launch prices. At this point, Nevada doesn't do anything with launch prices, but looks at price increases.

1) Review of the law and obligations

a) DHHS:

i) Produces lists to which stakeholders respond. These lists include;

(1) Essential Diabetic Drugs

(2) A list of those Essential Diabetic Drugs that were subject to a price increase that met criteria.

(a) For this list, criteria is based on Medical CPI

(b) Specifically, the increase must exceed Medical CPI for the past year or double that number in the past 2 years. For this report, those numbers were 0.45% for 1 year and 8.92% for 2 years.

(c) The CPI is designed to measure inflation over time and is published by the United States Department of Labor.

(d) To briefly explain CPI for medical care, the index is divided into two main components: medical care services and medical care commodities. Further broken down:

(i) Medical care services

1. Professional Services: Such as doctor visits, consultations, and other healthcare provider fees.
2. Hospital and related services: Including inpatient and outpatient care.
3. Health insurance: Premiums paid by consumers.

(ii) Medical care commodities

1. Medicinal drugs
2. Medical equipment and supplies

The 2023 Medical CPI had an unusually low growth rate compared to overall inflation.

(3) A list of any other medication subject to a price increase that met criteria and cost more than $40 per course of therapy.

The above lists were based on information provided on the last day of the reporting period, December 31, 2023.

ii) DHHS is required to maintain a registry of pharmaceutical sales reps that market prescription drugs in Nevada.

iii) The law also requires that on or before June 1 of each year, the Department analyze the information submitted and compile a report and in addition to posting this report, it is to be publicly presented as we are doing today.

b) Manufacturers:

i) Manufacturers submit information regarding drug production costs, profits, financial aid, and other drug-specific information and pricing data.

ii) For drugs that experienced a recent price increase, manufacturers are required to submit a report that provides a justification for these price increases.

iii) Manufacturers submit information regarding sales representatives they employ that work in Nevada.

c) Sales Representatives

i) The representatives themselves are required to submit information regarding health care providers and other individuals to whom they provided drug samples and/or individual compensation events exceeding $10 or total compensation exceeding $100.

d) Pharmacy Benefit Managers

i) PBMs are required to submit reports regarding rebates negotiated with manufacturers and pharmacies.

e) Wholesalers

i) Wholesalers report information regarding Wholesale Acquisition Cost, volume shipped into the state, and details regarding rebates.

f) Nonprofits

i) Nonprofits report but may publish on their own website and are not required to submit to DHHS.

2) Lists

a) There were 1154 NDCs on List #2 (essential diabetic), 202 on List #3 (essential diabetic with increase that met criteria), and 340 NDCs on List #4 (Over $40 list).

3) Results

a) Medicaid

Nevada Medicaid claims are evaluated by looking at trends as they apply to the posted drug lists. This includes both fee for service and managed care claims. No all-claims data source is available, but we estimate Medicaid covers about 28% of all Nevadans.

i) Review of Figures and Tables

(1) Table 1 represents the changes in Nevada Medicaid claims over time. It is evident in all years the claim cost increase exceeded the Medical CPI. In all years except 2019 this was a significant difference.

(2) DHHS looked at the top three 2023 Medicaid claims by both spend and volume. This is depicted in the tables 2 and 3. When data was collected last year, it was drilled down to individual NDC. This year those NDCs were combined by drug. Each drug included multiple strengths and package sizes. Looking at last year's report, the data would look different.

(3) Table 3. Shows the top three drugs billed to Medicaid by volume: atorvastatin-multiple strengths, albuterol inhaler and ibuprofen-multiple strengths. It has been consistent for the last 2 years.

(4) Table 4. Shows the Percent of Essential Diabetes Drugs (EDDs) with price increase that met criteria. 17.7% had an increase and more than in previous years.

(5) Table 5. Shows total spend by claim type for 2021-2023, comparing EDD drugs, EDD drugs with price increase, over $40 drugs, and total Medicaid claims.

(6) Table 6. Shows number of claims by list, comparing EDD drugs, EDD drugs with price increase, over $40 drugs, and total Medicaid claims. This table indicates that the amount spent on diabetic medication is still disproportion to the number of claims. Each of the past three years, about 4.5% of medication claims billed to Medicaid were for Essential Diabetic medications but the cost was over 11%. In general, diabetic medications cost more than other medications. In this table, the percentage spent exceeds the percentage of claims for all lists. This indicates how much the cost of the medications exceeds an average claim.

(7) Table 7. Illustrates the cost of claims since the inception of List #4. Lists #2 and #3 have increased each year. The medications on List #4 have not been consistent. Some of the increases on this list were quite significant (several hundred percent).

There has also been positive movement.

A significant decrease recently was in insulin prices. In 2022 eight popular insulins prices decreased by 25-40%. In late December 2023, the price of 21 insulins dropped by 70%. Early January 2024 39 more insulins had price decreases ranging from 27-78%.

To anticipate how these decreases in insulin prices may affect billings going forward, the Department considered the following: Total billings for insulin to the Medicaid program in 2023 were $31,363,523. 25% of those NDCs will be affected by the 2023 and 2024 price decreases.

Looking at each specific NDC that dropped in price and how much was billed in 2023, the 2024 savings to the program are estimated to be about $9 million.

b) Manufacturer

i) Figure 1. Compares over $40 drugs by drug type. This is broken down by number of drugs that show up on the list (not number of claims). The most prevalent seen in Figure 1 are both Cancer and Mental Health.

ii) Figure 2. Compares over $40 drugs by Claim. Because mental health medications are highly prescribed, you can see in this figure the 15% of these medications in figure 1, translate into 21% of utilization.

iii) Figure 3. Shows us that the number of NDCs billed to Medicaid with increases, increased year over year.

iv) Figure 4. Depicts the percentage of drugs within this same group that experienced a WAC increase and what that average increase was. This is displayed year over year and shows that the average increase is trending down. It is interesting to note the number of drugs with an increase is trending up, while the average increase is trending down. This may be explained by the existence of transparency programs that are typically triggered by a specific increase threshold (often 10%).

v) Figure 5. Shows manufacturer profit compared to expense. Manufacturer profit was the highest at over $10 billion followed closely by administrative cost. Administrative cost examples include the costs of wages, salaries, benefits, accounting and legal fees, information technology, marketing, research and development, and advertising.

vi) Figure 6. Shows justifications for any price increase for EDDs or Over $40 drugs. The most reported answer was Drug Comparative Value at 21%. These drugs were described as having more value to patients and the market. Drugs were also defined as innovative and effective and thus having more economic value to patients compared to other drugs on the market.

vii) Figure 7. The most reported justification was Inflation at 23%. This refers to general inflation that occurred in the medical market.

c) Pharmacy Benefit Manager (PBM)

(i) PBMs reported the rebates negotiated with drug manufacturers and pharmacies for prescription drugs included on Nevada Drug Lists. PBMs reported the rebates they retained, as well as the rebates that were negotiated for purchases of such drugs for use by:

1. Recipients of Medicaid,
   a. recipients of Medicare,
   b. persons covered by third party governmental entities that are not Medicare and Medicaid,
   c. persons covered by commercial insurance,
   d. persons covered by all other 3rd parties.

(ii) Table 8. Total reported rebates that PBMs negotiated with manufacturers for drugs on Nevada lists were over $150 million. This is an increase from what was reported last year. The table illustrates just over 6% of negotiated rebates were retained by the PBM.

(iii) Table 9. Depicts PBM rebate information negotiated specifically with pharmacies**.** Total reported amount of discounts/fees negotiated with pharmacies was nearly $86 Million.

d) Compensation Provided by Pharmaceutical Representatives

i) Sales representatives are required to report all licensed, certified, or registered health care providers, pharmacy employees, operators or employees of a medical facility, and individuals licensed or certified under the provisions of Title 57 of NRS to whom they provided eligible compensation or samples. Eligible compensation includes any type of compensation with a value of $10 or total compensation with a value that is $100 in aggregate.

ii) A total of 278,300 pharmaceutical representatives' events were reported for compensation and sample distribution to DHHS. This included 1,438 individuals with activity to report, and 224 different companies. In many cases, a reported event involved several recipients, as in a group lunch.

iii) DHHS aggregated compensation reported from pharmaceutical representative reports (Table 10). Nevada providers and staff in their offices collectively received $5,961,471 in compensation from pharmaceutical representatives, average compensation amount was $19.61.

iv) Compensation values were categorized by two compensation types based on the reported data and the total reported values for each compensation type were aggregated. Most of the compensation was meal related and represented 96 % of total compensation dollars (same as last year's results) with an average of $18.78.

(1) Table 10. Shows Pharmaceutical Representatives Compensation by Compensation Type.

(2) Table 11. Shows compensation by recipient type. The averages have not changed much year to year. What has changed is the amount spent on general "office staff". This has increased significantly, increasing by more than $2,000,000 in annual spend since 2021.

(3) Figure 8. Shows sample distribution events by targeted health condition as reported by sales representatives. This figure illustrates that samples most frequently provided were to treat diabetes (27%). This has been the case in all the years we have monitored.

e) 10. Wholesalers

i) Nineteen wholesalers reported paying rebates this reporting period. Many wholesalers reported no rebates paid and those reports are not included here. Data reported included 684,863 units shipped into the state, nearly 60 million in rebates paid to manufacturers and over 12 million in rebates paid to pharmacies.

As of this writing, two manufacturers, and three wholesalers are out of compliance and were issued letters regarding their obligation and the possibility of a penalty if the required reports are not received by the Department.

Public Comment: No public comment was made.

Adjournment: The meeting ended at 10:26 AM