

Statement for the Record

Submitted by

The Premier healthcare alliance

Drug Pricing in America: A Prescription for Change, Part I

Senate Finance Committee

January 29, 2019

The Premier healthcare alliance appreciates the opportunity to submit a statement for the record on the Senate Finance hearing titled “*Drug Pricing in America: A Prescription for Change, Part I*” scheduled for January 29, 2019. We applaud the leadership of Chairman Grassley, Ranking Member Wyden and members of the Committee for holding this first in a series of hearings scrutinizing prescription drug pricing and considering policy and oversight solutions to lower costs for American patients.

Premier is a leading healthcare improvement company, uniting an alliance of more than 4,000 U.S. hospitals and health systems and approximately 165,000 other providers and organizations to transform healthcare. With integrated data and analytics, collaboratives, supply chain solutions, consulting and other services, Premier enables better care and outcomes at a lower cost. A 2006 Malcolm Baldrige National Quality Award recipient, Premier plays a critical role in the rapidly evolving healthcare industry, collaborating with members to co-develop long-term innovations that reinvent and improve the way care is delivered to patients nationwide. A key component of our alliance is our Integrated Pharmacy Program, which combines essential clinical data with purchasing power to deliver reduced costs, improved quality and safety, and increased knowledge-sharing with other healthcare professionals.

Premier is a solution to the rising cost of drugs. We need, however, policy changes for us to continue to succeed in our work to reduce healthcare spending. We have developed policy solutions that are attainable, practical, and sustainable.¹ As the Committee begins to examine the rising cost of drugs and develop policy and oversight solutions to help lower costs for Americans, Premier urges the Committee to focus on the following as overarching principles:

- ***Solutions that use competitive forces to lower drug prices and increase the availability of generic medications and biosimilars in the marketplace*** - A wealth of research and Premier analytics show that competition in the pharmaceutical marketplace brings down prices. Competition from generic drugs has saved the U.S. healthcare system \$1.46 trillion from 2005 to 2015.² According to the FDA, drug prices drop to roughly 52 percent of brand-name drug prices with two manufacturers producing a generic product, 44 percent with three manufacturers and 13 percent

¹ Premier previously provided detailed comments in response to the “HHS Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs” request for information. Available at: <https://www.premierinc.com/wpdm-package/premiers-response-trump-administrations-rfi-drug-pricing/>

² Generic Drug Access & Savings in the U.S. 2017. Available at: <https://accessiblemeds.org/sites/default/files/2017-07/2017-AAM-Access-Savings-Report-2017-web2.pdf>

with 15 manufacturers.³ This dynamic is reflected in the fact that 88 percent of dispensed prescriptions are for generic drugs, yet they account for only 28 percent of total drug spending.⁴ But in order to increase the competitive forces, more players are needed.

By aggregating the buying power of U.S. hospitals, Premier's drug portfolio prices have grown less than half the rate of the industry average inflation rate. Premier is saving our members millions of dollars by driving economies of scale, creating transparency around pricing and quality and applying competitive pressure to the marketplace.

Therefore, solutions to address drug prices should focus on promoting the use of competitive forces to bring additional generic and biosimilar competition to the market.

- ***Sustainable solutions to address drug shortages that decrease barriers to entry, namely the time and cost to enter the marketplace, while maintaining the quality and safety of the product*** – Drug shortages continue to plague the healthcare system and have grown in both number and intensity in the past two years.⁵ Over the past 15 years Premier has implemented innovative strategies enabling us to reliably supply our members with 91 National Drug Codes (NDCs) that are on the drug shortage list. We have also embarked on an expanded partnership strategy with suppliers we expect will extend this progress. This work, therefore, is not done, and we will not stop until we have eliminated drug shortages. A recent study found that prices for drugs under shortage between 2015 and 2016 increased more than twice as quickly as they were expected to in the absence of a shortage.⁶ Another recent study found that the price of fluphenazine tablets in 2016 increased by over 2000% during a shortage.⁷ Therefore, solutions to address drug prices should focus on eliminating drug shortages to prevent the subsequent price increases that occur during a shortage.

In closing, the Premier healthcare alliance appreciates the opportunity to submit a statement for the record on the Senate Finance Committee's hearing on drug pricing. As an established leader in using competitive forces to lower drug prices and working towards eliminating drug shortages, Premier is available as a resource and looks forward to working with Congress as it considers policy options to address this very important issue.

If you have any questions regarding our comments or need more information, please contact Soumi Saha, Senior Director of Advocacy, at soumi_saha@premierinc.com or 202-879-8005.

³ IMS Health, Price Declines after Branded Medicines Lose Exclusivity in the U.S. January 2016. Available at: <https://www.iqvia.com/-/media/iqvia/pdfs/institute-reports/price-declines-after-branded-medicines-lose-exclusivity-in-the-us.pdf>

⁴ *Id.*

⁵ FDA Public Hearing Identifying the Root Causes of Drug Shortages and Finding Enduring Solutions. Available at: <https://healthpolicy.duke.edu/events/drug-shortage-task-force>

⁶ Hernandez I, Sampathkumar S, Good CB, Kesselheim AS, Shrank WH. Changes in Drug Pricing After Drug Shortages in the United States. *Ann Intern Med*; 170:74–76. doi: 10.7326/M18-1137

⁷ Fox E. R., Tyler L. S. (2017). Potential association between drug shortages and high-cost medications. *Pharmacotherapy* 37, 36–42. 10.1002/phar.1861