

## Statement for the Record

Submitted by

The Premier Inc. healthcare alliance

*Promoting Competition to Lower Medicare Drug Prices*

House Ways and Means Health Subcommittee

March 7, 2019

The Premier healthcare alliance appreciates the opportunity to submit a statement for the record on the House Ways and Means Health Subcommittee hearing titled “*Promoting Competition to Lower Medicare Drug Prices*” scheduled for March 7, 2019. We applaud the leadership of Chairman Doggett, Ranking Member Nunes and members of the Subcommittee for holding this hearing to scrutinize prescription drug pricing and consider policy solutions that promote competition to lower costs for American patients. **Premier is committed to addressing the rising cost of pharmaceuticals and strongly supports the creation of a competitive marketplace to lower Medicare drug prices.** A competitive marketplace allows market forces to work as intended to naturally lower drug prices for consumers, providers and the government. The key to this is enacting policies to remove barriers to competition, making it easier to develop generics, streamline the drug approval process and promote biosimilars, and to accelerate the movement to value-based care.

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, data-driven collaboratives, supply chain solutions, consulting and other services, Premier enables better care and outcomes at a lower cost.

Premier aggregates and works with healthcare providers to drive maximum market competition. We put manufacturers in head-to-head competition, assess the product’s value and create market-leading contracts that may be used by healthcare providers. For our services we charge a flat percentage of the negotiated, discounted price. The fees are not varied within product categories so as to maintain a level playing field. We see every day the power of competition. 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.

Premier constantly scans the market and works closely with high-quality manufacturers to encourage them to bring products to the market where only one or two suppliers exist. This alleviates price spikes and drug shortages. These efforts have met with great success in lowering prices for consumers, providers and the government. For example, in 2015, isoproterenol HCl injection and sodium nitroprusside – two very old, established off-patent drugs - were sold to another manufacturer. Being the only manufacturer in the market with a de facto monopoly, this company dramatically increased the price to \$14,000 for these products, a nearly 500 percent increase. Premier immediately reached out to alternative suppliers to encourage them to file Abbreviated New Drug Applications (ANDAs) with

the FDA, and supported these companies through the approval process through advocacy with the FDA, encouraging accelerated review of these applications. Once the new drug makers were approved and entered the market, the costs dramatically dropped, taking the prices back to their historic levels. Specifically, nitroprusside went from a high of \$650 back down to approximately \$20 and Isoproterenol went from a high of more than \$14,000 in January 2017, back down to less than \$2000 (the 2013 price point) in January 2019.

**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.**<sup>1</sup> As the Subcommittee begins to examine the rising cost of drugs and develop policy 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.<sup>2</sup> According to the Food and Drug Administration (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 with 15 manufacturers.<sup>3</sup> 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.<sup>4</sup>

The reverse is also true. When manufacturers of drugs leave the market, drugs can experience significant price spikes due to the lack of competition. Extreme price jumps can put life-saving drugs out of reach for patients. For example:

- Neostigmine, a Drug Efficacy Study Implementation (DESI) drug, was priced at \$33 (for 10 vials of 10mg/mL) in 2009. The new “brand” Bloxiverz, approved by FDA in the same package size, jumped to \$150 in 2013 and continued to experience price increases up to \$938.12 by 2015 when other manufacturers of these older unapproved drugs exited the market. While not anywhere near where it was prior to the removal of other manufacturers in the market, the price dropped to \$580.90 in 2015 with two other manufacturers entering the market.
- Epinephrine, another DESI drug, was \$69.16 for a vial in 2015 and jumped 352 percent to \$312.50 in 2016 when other manufacturers were required to leave the market by FDA. The price continued to rise another 20 percent in 2017 on a drug that has long been on the market with no “new” indications or therapy improvement.

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<sup>1</sup> 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/>

<sup>2</sup> 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>

<sup>3</sup> 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>

<sup>4</sup> *Id.*

- Potassium Chloride, another DESI drug, in 2014 sold for \$40.86 for 20MEQ/15ML and when other manufacturers were required to leave the market, the price jumped to \$236.93 in 2016. This price increase sent a shock wave through the health community for a drug that has long been deemed safe and effective with no research and development cost attached to the product.

But in order to increase the competitive forces, more players are needed. **Therefore, solutions to address drug prices should focus on lowering the barriers to entry 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.<sup>5</sup> Drug shortages are a major driver of skyrocketing costs contributing to over half a billion dollars in increased healthcare expenditures annually. A recent study found that prices for drugs under shortage increased more than twice as quickly as they would in the absence of a shortage adding \$230 million a year to U.S. drug costs.<sup>6</sup> Another recent study found that the price of fluphenazine tablets in 2016 increased by over 2000% during a shortage.<sup>7</sup>

In addition to the increase in drug prices, drug shortages cause a multitude of downstream impacts to the healthcare system that increase healthcare expenditures such as:

- Increased labor costs associated with managing drug shortages, estimated to be \$216 million annually.<sup>8</sup>
- Increased potential for adverse events, and consequently increased costs to the healthcare system such as increased hospital days, due to the unavailability of a critical medication. For example, a shortage of norepinephrine was significantly associated with increased mortality amongst patients with septic shock.<sup>9</sup> The FDA estimates that the norepinephrine shortage resulted in \$13.7 billion of projected losses to the U.S. healthcare system.<sup>10</sup>

Over the past 15 years Premier has implemented innovative strategies enabling us to reliably supply our members with 92 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

<sup>5</sup> 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>

<sup>6</sup> 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

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

<sup>8</sup> "Impact of drug shortages on U.S. health systems" (*American Journal of Health-System Pharmacy*, October 2011). <https://www.ncbi.nlm.nih.gov/pubmed/21930639>

<sup>9</sup> Vail, Emily, Gershengorn, Hayley, Hua, May, Walkey, Allan, Rubenfeld, Gordon & Wunsch, Hannah. (2017). Association Between US Norepinephrine Shortage and Mortality Among Patients With Septic Shock. *JAMA*. 317.DOI: 10.1001/jama.2017.2841.

<sup>10</sup> 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>

eliminated drug shortages. ***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 House Ways and Means Health Subcommittee'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](mailto:soumi_saha@premierinc.com) or 202-879-8005.