

2010 Part D Symposium

Growth of drug prices in the Part D program



Discussion Topics

- Plan Finder pricing data.
- Prescription Drug Event (PDE) based analyses:
 - Part D program trends.
 - Growth in Top Part D drugs.
 - Variation among Sponsors' pricing.

Overview

- Analyses of Plan Finder pricing data and PDE data indicate that Part D prices trended with, or were lower than, industry prices.
- Among Part D contracts, there were variations in the magnitude of price changes.

Plan Finder Pricing Data



CMS' Use of Plan Finder Data

- Program oversight:
- Sponsor monitoring:
 - Two plan ratings on <http://www.medicare.gov>:
 - Drug Plan Prices that Don't Increase More Than Expected During the Year.
 - Drug Plan Prices on Medicare's Website Are Similar to the Prices Members Pay at the Pharmacy.

CMS' Use of Plan Finder Data (cont.):

- Advantages:
 - Early access.
 - Bi-weekly updates.
 - Common set of drug products for comparison.
- Limitations:
 - Sponsor-submitted.
 - Data errors.
 - Cost estimates versus point-of-sale prices.

Evaluating Part D Price Changes Via PDE



Methodology

- January 2006- December 2008 PDE
 - Minimum of 25 claims/drug/month.
- Construction levels:
 - NDC level → GSN level → Drug name.
- Price index is weighted by Part D utilization and cost.
- Relative significance of a drug is measured by share of Part D 2006-2008 expenditures.

Calculating Price Indices for Drugs

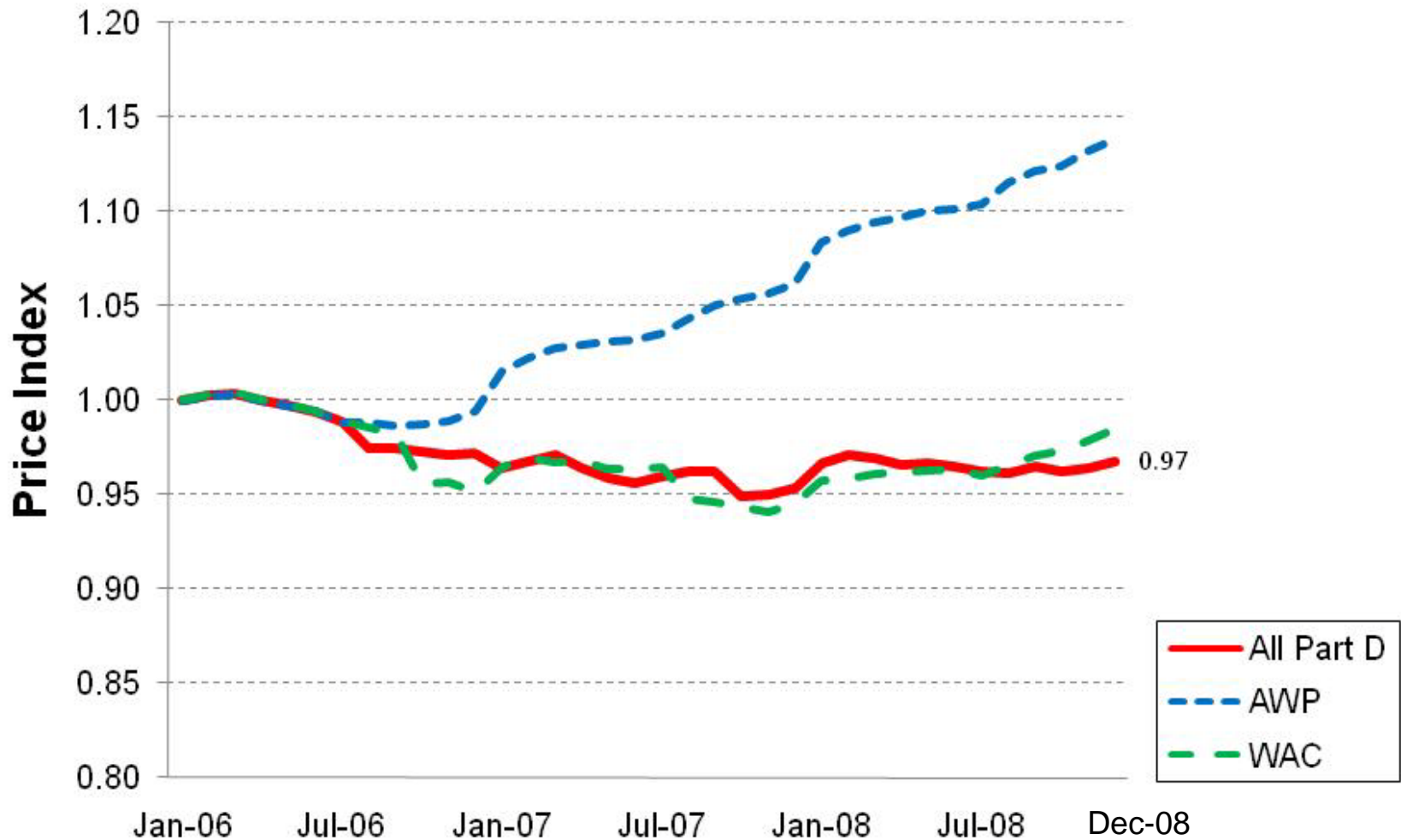
$$P_{index}^s = \sum_{i=1}^n W_{mi} \times p_{ri}^s$$

- ◆ p_{ri}^s : Statistic “s” of price distribution for drug “i” paid for reference group “r”
- ◆ W_{mi} : Share of product “i” in market basket “m”
- ◆ Chain-weighting methods used to compute W_{mi}

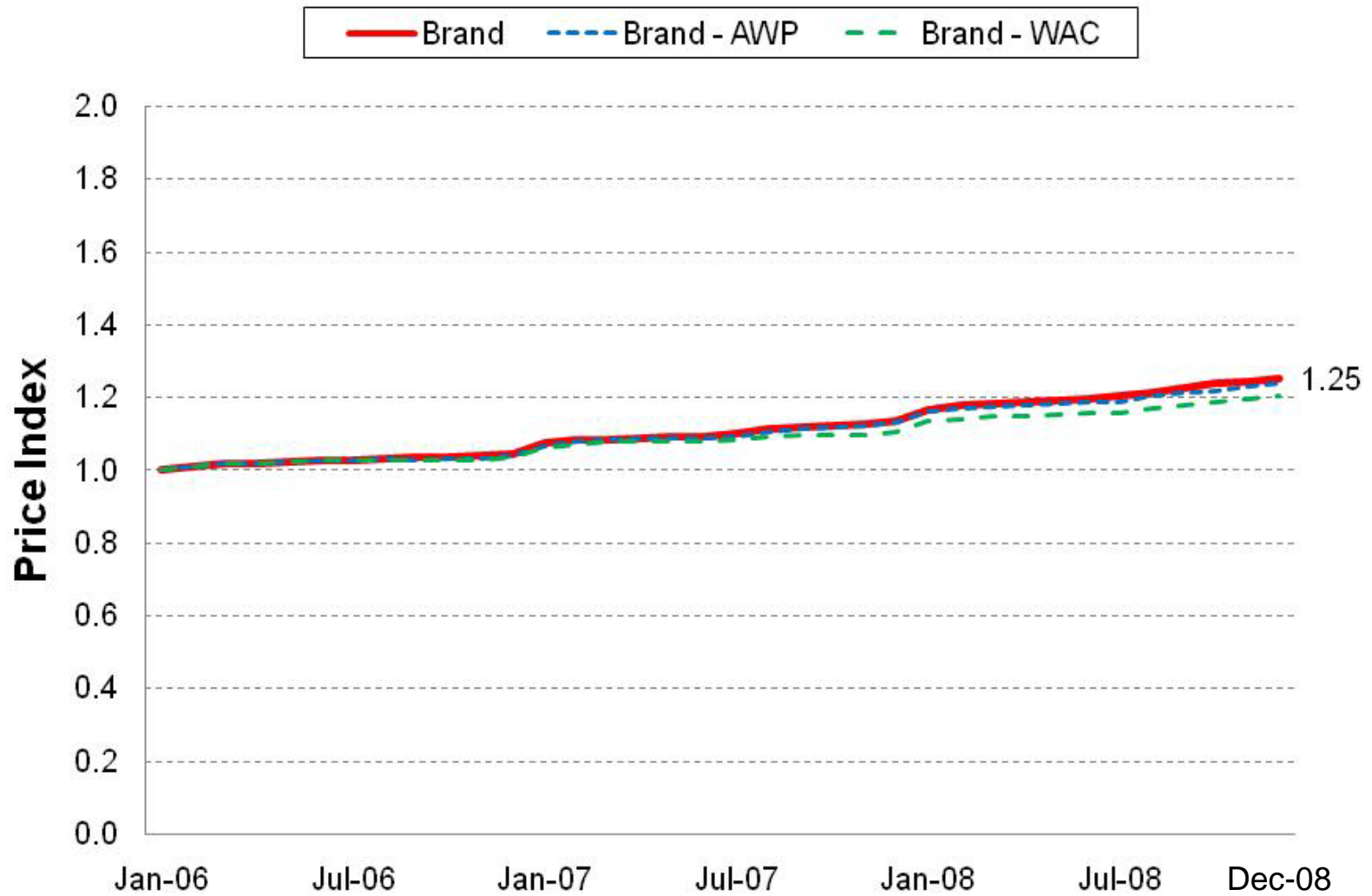
Methodology (cont.):

- Overall comparison of price increases over three year period:
 - All Part D drugs.
 - Brands versus generics.
 - Brand drug groupings, e.g. Top 100, biologics.

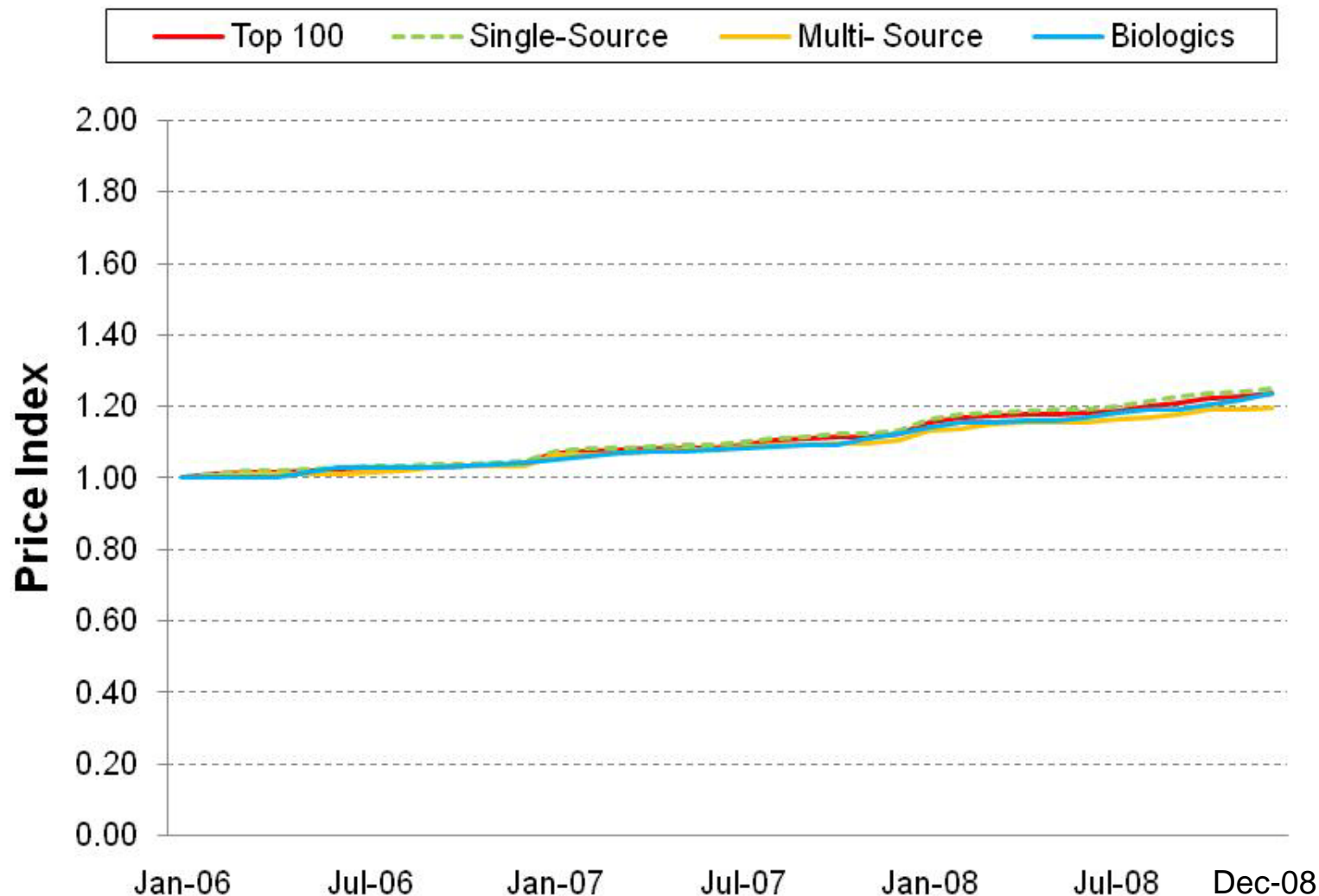
Part D Prices Follow Industry Trends



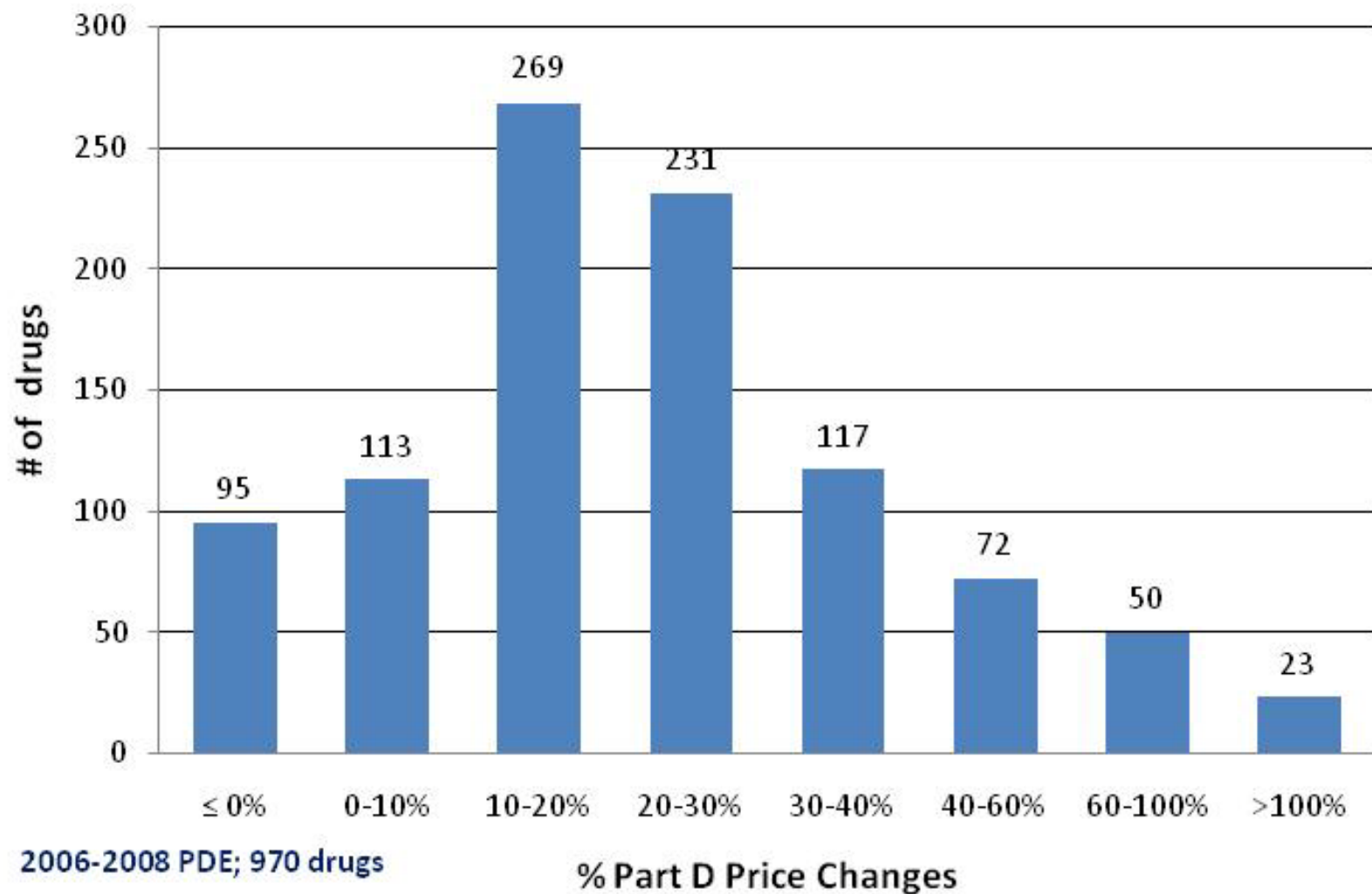
Part D Brands Follow Industry Trends



Similar Price Increases Across Brands



Distribution of Part D Drugs by Price Increases



Price Increases of Top Part D Drugs

Drug Name	Therapeutic Class	Change in Part D Prices	Rank by Part D Expenditures
Lipitor	Cardiovascular	10%	1
Plavix	Blood	14%	2
Nexium	Gastrointestinal	14%	3
Seroquel	Psychotherapeutic drugs	25%	4
Zyprexa	Psychotherapeutic drugs	23%	5
Aricept	Autonomic drugs	29%	6
Advair Diskus	Antiasthmatics	21%	7
Prevacid	Gastrointestinal	19%	8
Actos	Hypoglycemics	25%	9
Risperdal	Psychotherapeutic drugs	27%	10

Source: 2006-2008 PDE



Sponsor Variations in Price Growth

- Are some Part D Sponsors better able to control price growth?
- Methodology:
 1. Brand drugs with 25% or greater price increases in 2006-2008.
 2. Top 100 drugs by expenditure weight.
 3. For contracts offered all 3 years, a composite price index was constructed for those 100 drugs.

Distribution of Part D Contracts by Price Index



Includes Part D sponsors with utilization of 10 or more studied drugs.

Sponsor Variations in Price Growth (cont.):

- Methodology:
 4. Twelve of the 100 drugs with higher than average price growth met the minimum utilization threshold of 100 or more contracts.
 5. For each of the 12 drugs, differences examined between contracts.
 6. Low price = Bottom 5th percentile of price distribution (5th percentile).
 7. High price = Top 5th percentile of price distribution (95th percentile).



Variation in Plan Prices: Selected Drugs

Drug Name	Therapeutic Class	Change in Part D Prices	# of Contracts	p5	p95
Flomax	Unclassified drug prods	51%	236	41%	54%
Humulin N	Hypoglycemics	38%	122	35%	39%
Humulin 70-30	Hypoglycemics	38%	125	35%	39%
Novolin N	Hypoglycemics	33%	107	-1%	37%
Lantus	Hypoglycemics	33%	240	29%	36%
Novolin 70-30	Hypoglycemics	33%	120	-4%	37%
Humalog	Hypoglycemics	31%	107	31%	33%
Actonel	Unclassified drug products	30%	237	25%	33%
Benicar	Cardiovascular	29%	113	25%	34%
Aricept	Autonomic drugs	29%	211	22%	34%
Combivent	Antiasthmatics	27%	198	24%	41%
Actos	Hypoglycemics	25%	145	19%	25%

Source: 2006-2008 PDE



Variation in Plan Prices: Aricept

- Overall Part D price increase: 29%.
- AWP and WAC price increase: 30%.
- Price increase of contracts in the 5th percentile: -3% to 22%.
 - 11 contracts – 10 MA-PDs, 1 PDP.
- Price increase of contracts in the 95th percentile: 34% to 36%.
 - 11 contracts – 10 MA-PDs, 1 PDP.

Variation in Plan Prices: Actos

- Overall Part D price increase: 25%.
- AWP and WAC price increase: 52%.
- Price increase of contracts in the 5th percentile: 7% to 19%.
 - 8 contracts – 7 MA-PDs, 1 Employer.
- Price increase of contracts in the 95th percentile: 25% to 38%.
 - 9 contracts – 6 MA-PDs, 2 PDPs, 1 Employer.

Possible causes of variations in sponsors' price growth?

- Large versus small enrollment.
- Parent organization versus single-contract organizations.
- Stand-alone PDP versus MA-PD.
- Pharmacy Benefit Management (PBM) or Claims processor.
- Pharmacy types.



Initial results:

- Using the subset of 12 drugs with higher price increases, 103 contracts were studied for differences.
- For 84 MA-PDs (Enrollment as of Dec 2008: 3.1 million beneficiaries):

Number of drugs	MA-PDs	
	Group A (5 contracts)	Group B (5 contracts)
With lowest pricing (5 th percentile)	5-6 of 12 drugs	0 of 12 drugs
With highest pricing (95 th percentile)	0 of 12 drugs	4-8 of 12 drugs

Initial results (cont.):

- For 15 PDPs (Enrollment as of Dec 2008: 3.7 million beneficiaries):
 - One PDP contract had the highest pricing for 2 of 12 drugs. It also had the lowest pricing for 3 of 12 drugs.
 - Each of the remaining 14 PDPs had no more than 1 of the 12 drugs at the lowest or highest price.

Summary

- Analysis of PDE finds that on average Part D prices for brand drugs have increased 25% from January 2006 to December 2008.
- For drugs with higher than average increases, some Part D Sponsors are able to control or limit growth.
- Evaluation of best-practices for controlling price growth is continuing.

Potential future analyses

- Price variations across:
 - Part D parent organizations.
 - Pharmacy Benefit Management (PBM).
 - Plan benefit types.
- Other factors re: cost containment?