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San Francisco Department of Public Health –  
Office of Policy & Planning



## San Francisco Board of Supervisors Budget & Finance Committee

March 25, 2015

### The Majority of Americans Take Prescription Medications

2

- 70% of Americans take at least one prescription medication
  - More than 50% take two
  - 20% take 5 or more
- Advancements in medicine represent more-effective ways to treat chronic, serious, or life-threatening conditions
  - e.g., HIV/AIDS, cancer, Hepatitis C, multiple sclerosis, rare diseases
- Drug therapies for these conditions can be expensive and few, if any, lower cost generic alternatives exist
- Specialty medications that treat these conditions are the fastest growing segment of drug spending
  - Expected to be 50% of drug spending by 2019
- ~ ½ of drugs receiving FDA approval last year could be considered specialty medications

## What is a Specialty Medication?

3

No standard definition, but usually includes...

- Requires special handling
  - Biologics
  - Temperature controlled storage
  - Specialized shipping
  - FDA-mandated controls
- Complex administration
  - Self-administered injectables
  - Physician-administered infusions
- High cost
  - >\$600/month

## Health Plan Drug Tiering & Cost Sharing for Patients

4

Tier	Definition	Patient Cost-Sharing
1	<ul style="list-style-type: none"> <li>○ Most <b>generic</b> drugs and <b>low cost preferred</b> brands</li> </ul>	fixed co-pay
2	<ul style="list-style-type: none"> <li>○ <b>Preferred brand</b> name drugs</li> <li>○ <b>Non-preferred generic</b> drugs</li> <li>○ Recommended by a plan based on drug safety, efficacy and cost</li> </ul>	fixed co-pay
3	<ul style="list-style-type: none"> <li>○ <b>Non-preferred brand</b> name drugs</li> <li>○ Recommended by a plan based on drug safety, efficacy and cost</li> <li>○ Generally have a preferred and often less costly therapeutic alternative at a lower tier</li> </ul>	fixed co-pay
4	<ul style="list-style-type: none"> <li>○ <b>Specialty</b> drugs that are:               <ul style="list-style-type: none"> <li>• FDA or drug manufacturer limits distribution to specialty pharmacies or;</li> <li>• self-administration requires training, clinical monitoring or;</li> <li>• drug manufactured using biotechnology</li> </ul> </li> <li>○ More costly than other drugs (&gt;\$600)</li> </ul>	coinsurance (% of drug cost)

## What is the Concern with Specialty Tiering?

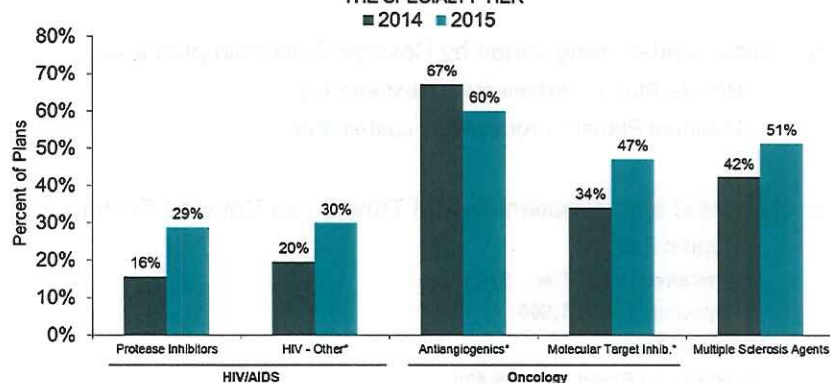
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- Some health plans have placed all or substantially all of the medications to treat certain conditions into the specialty tier
  - May **violate the Affordable Care Act** protections for individuals with pre-existing conditions
  - May be **discriminatory** to patients with certain health conditions
- For patients:
  - May put a substantial **financial strain** on people with chronic, serious, or life-threatening conditions
  - Costs can be **unexpected**
  - Cost affects **adherence**
- For plans:
  - Initiation of treatment is occurring sooner and **costs accruing to the health plan** occur earlier and, for chronic conditions, **last longer**
  - Will lead to **adverse selection** among health plans, leaving insurers that offer better coverage with least healthy patients

## A Nationwide Issue

6

PERCENTAGE OF SILVER PLANS PLACING ALL DRUGS IN THE CLASS ON THE SPECIALTY TIER

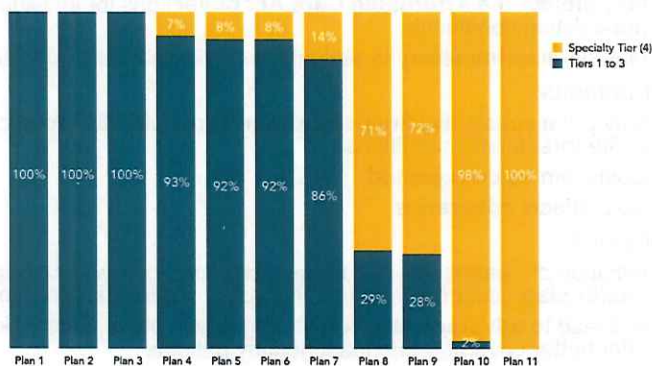


Source: Avolere Health, 2015

## Also a California Issue

7

Covered California Qualified Health Plans Placement of HIV/AIDS Medicines on Specialty Tier Among Listed Products, 2014



Source: California Health Care Foundation, 2015

## Cost Example: HIV medication

8

- Cost of Truvada = ~\$15,000 annually
- Patient cost-sharing varies by Covered California plan level
  - Bronze Plans: ↓ premiums; ↑ cost-sharing
  - Platinum Plans: ↑ premiums; ↓ cost-sharing
- Estimated annual patient cost of Truvada on Covered California:
  - Platinum Plan
    - Preferred Brand Tier: **\$180**
    - Specialty Tier: **\$1,500**
  - Bronze Plan
    - Preferred Brand Tier: **\$5,400**
    - Specialty Tier: **\$6,350** (Out-of-pocket maximum is \$6,350)



## Federal Efforts to Address Adverse Tiering Medications

- May 2014 complaint to Department of Health & Human Services regarding discriminatory HIV/AIDS practices by Florida insurers

*"If an issuer places most or all drugs that treat a specific condition on the highest-cost tiers, that plan design effectively discriminates against, or discourages enrollment by, individuals who have those chronic conditions."*

- Center for Medicare and Medicaid Services

- Federal budget proposal
  - Allow Secretary of Health & Human Services to negotiate prices for biologics and high cost prescription drugs

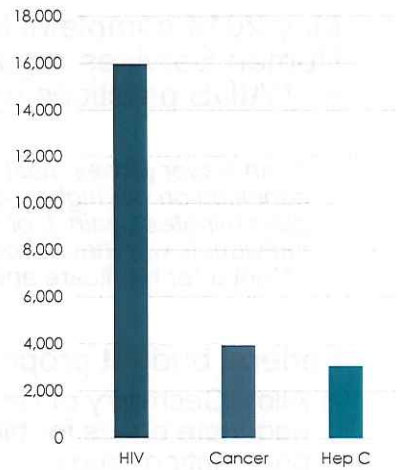
## Statewide Efforts to Address Adverse Tiering

- **SB 1052 (Torres)**, passed in 2014, requires Covered California plans to post standard formulary information by 2017
- **Covered California** imposed additional requirements for implementation in 2016
  - Standardized formulary tier definitions
  - For conditions treated with specialty medications, requires at least one drug to be on tier 1, 2, or 3
  - Assessing the implementation of caps or spreading of out-of-pocket maximum throughout the year
- **AB 339 (Gordon)**, pending, would prevent insurers from placing all prescription drugs for a certain condition in the highest-cost tier of a drug formulary
- **AB 463 (Chiu)**, pending, would require drugmakers to report profits and production expenses for any drug or course of treatment costing \$10,000 or more

## Why this matters in San Francisco

11

San Franciscans living with serious conditions like HIV, cancer and hepatitis C need affordable access to treatment



Estimated number of San Franciscans living with HIV, cancer and Hepatitis C

12

## Thank You