



June 11, 2018

Prices for and Spending on Specialty Drugs in Medicare Part D and Medicaid

Conference of the American Society of
Health Economists

Anna Anderson-Cook, Jared Maeda, and Lyle Nelson
Health, Retirement, and Long-Term Analysis Division

Study Objectives

- Examine the prices of specialty drugs, net of rebates and discounts, in Medicare Part D and Medicaid over the 2010–2015 period.
- Determine the contribution of specialty drugs to the growth of total drug spending in Medicare Part D and Medicaid.
- Examine average annual spending and out-of-pocket costs on specialty drugs among Medicare Part D enrollees who use such drugs.

Definition of Specialty Drugs

- CBO used a definition of specialty drugs that was developed by IMS Health (now IQVIA).
- By that definition, a specialty drug treats a complex, chronic, or rare condition and has **at least four of the following seven characteristics**:
 - Costs at least \$6,000 per year in 2015;
 - Is initiated or maintained by a specialist;
 - Is administered by a health care professional;
 - Requires special handling in the supply chain;
 - Is associated with a patient payment assistance program;
 - Is distributed through nontraditional channels (such as a specialty pharmacy); or
 - Requires monitoring/counseling.

Data

- **Medicare Part D:** Beneficiary-level claims data for the entire Part D population and confidential data on manufacturer rebates and other discounts by drug for the 2010–2015 period.
- **Medicaid:** Drug utilization and pharmacy payment data by drug for both fee-for-service and managed care purchases combined with confidential data on statutory rebates by drug for the 2010–2015 period.
- **IMS Health (now IQVIA):** List of specialty drugs on the market in 2015.
- **Redbook:** Drug characteristics including an active ingredient identifier and brand/generic identifier by National Drug Code.

Approach to Identifying Specialty Drugs

- Drugs that had the same active ingredient(s) as a drug on the IMS Health specialty drug list were labeled as specialty drugs.
- Redbook data were used as a crosswalk to match the IMS Health list of specialty drugs with the Medicare Part D and Medicaid data by active ingredient.

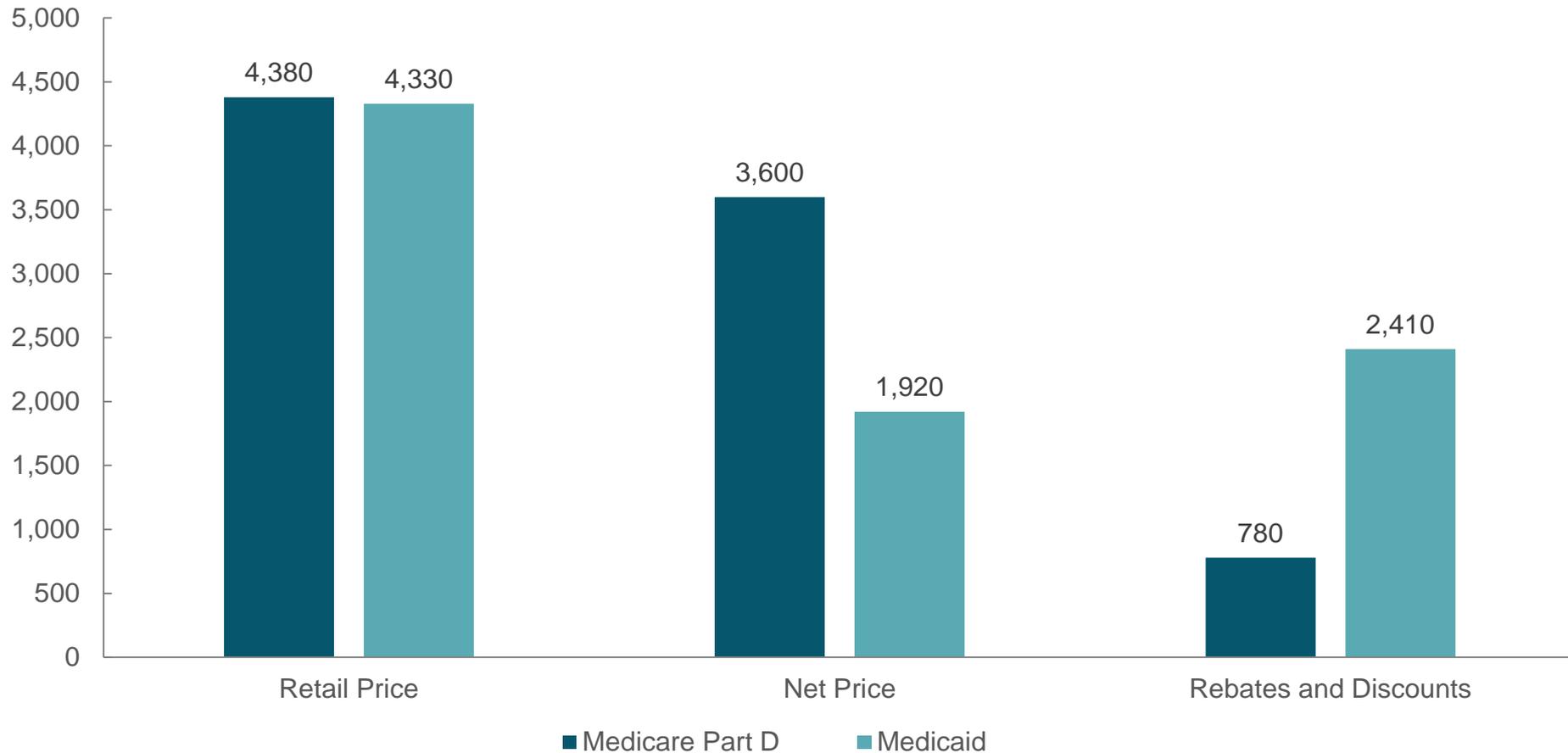
Prices of Specialty Drugs in Medicare Part D and Medicaid in 2015

For the 50 top-selling brand-name specialty drugs in Medicare Part D:

- The average retail price per prescription in 2015 was \$4,380 in Medicare Part D and was similar in Medicaid.
- Net of rebates and discounts, the average price per prescription was nearly twice as high in Medicare Part D as in Medicaid (\$3,600 versus \$1,920).
- The average net price was much higher in Medicare Part D because the rebates and discounts were much lower.
- Rebates and discounts averaged 18 percent of the retail price in Medicare Part D and 56 percent of the retail price in Medicaid.

Weighted Average Prescription Price for 50 Top-Selling Brand-Name Specialty Drugs, 2015

Dollars

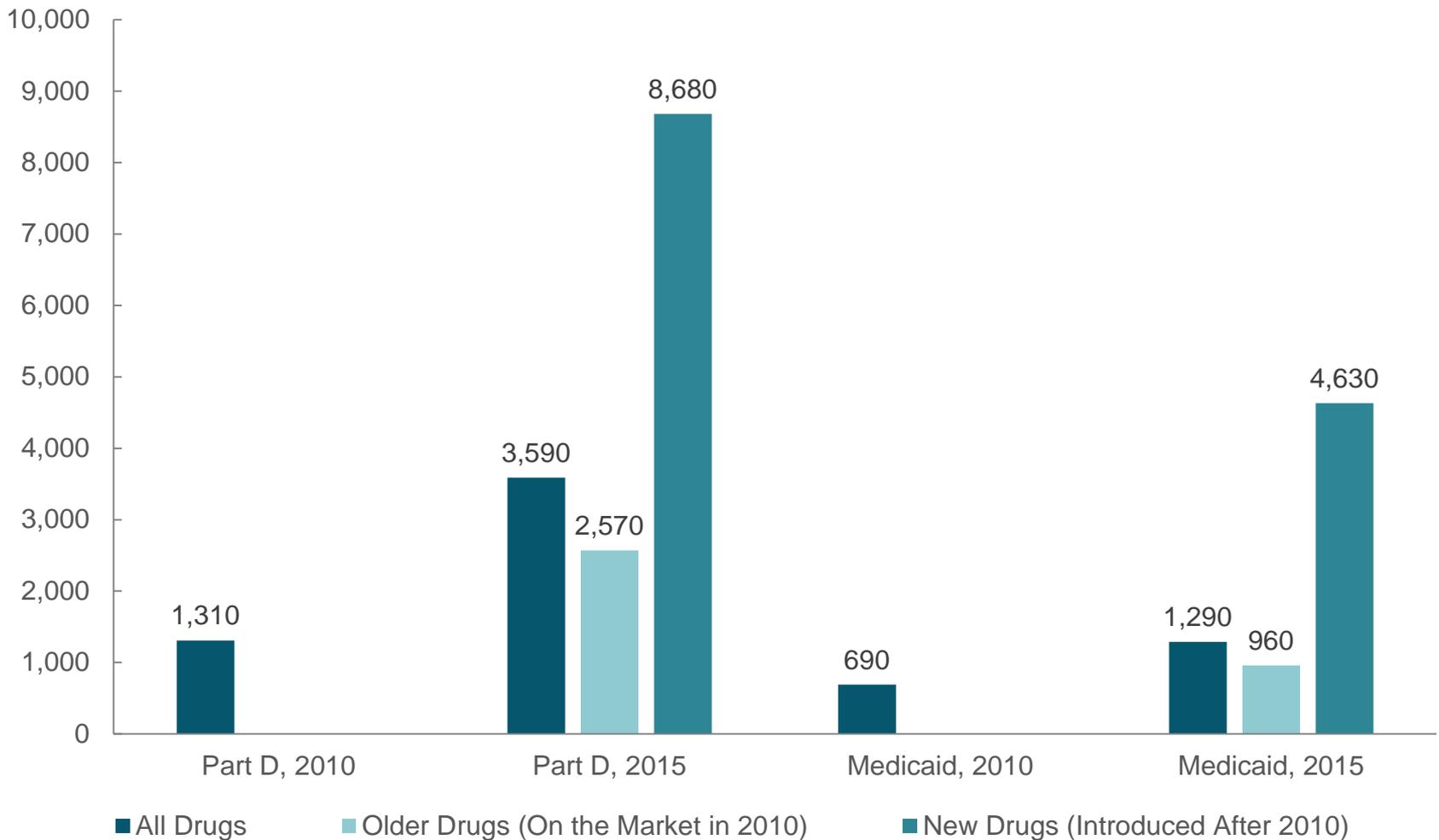


Price Growth for Brand-Name Specialty Drugs in Medicare Part D and Medicaid, 2010 to 2015

- The average net price per prescription of a brand-name specialty drug in Medicare Part D grew at an average annual rate of 22 percent from 2010 to 2015 (increasing from \$1,310 to \$3,590 in 2015 dollars).
- During that period, the average net price per prescription of a brand-name specialty drug in Medicaid grew at an average annual rate of 13 percent (from \$690 to \$1,290 in 2015 dollars).
- Those estimates were not constructed for a basket of drugs that remained constant over time.
- In each program, most of the price growth was attributable to a change in the mix of drugs toward those with higher prices, especially newer specialty drugs (which in 2015 had an average prescription price of \$8,680 in Medicare Part D and \$4,630 in Medicaid).

Change in Average Net Price of Brand-Name Specialty Drugs, 2010 to 2015

Price per Prescription in 2015 Dollars



Price Growth for Specialty Drugs in Medicare Part D, Controlling for Changes in the Mix of Drugs

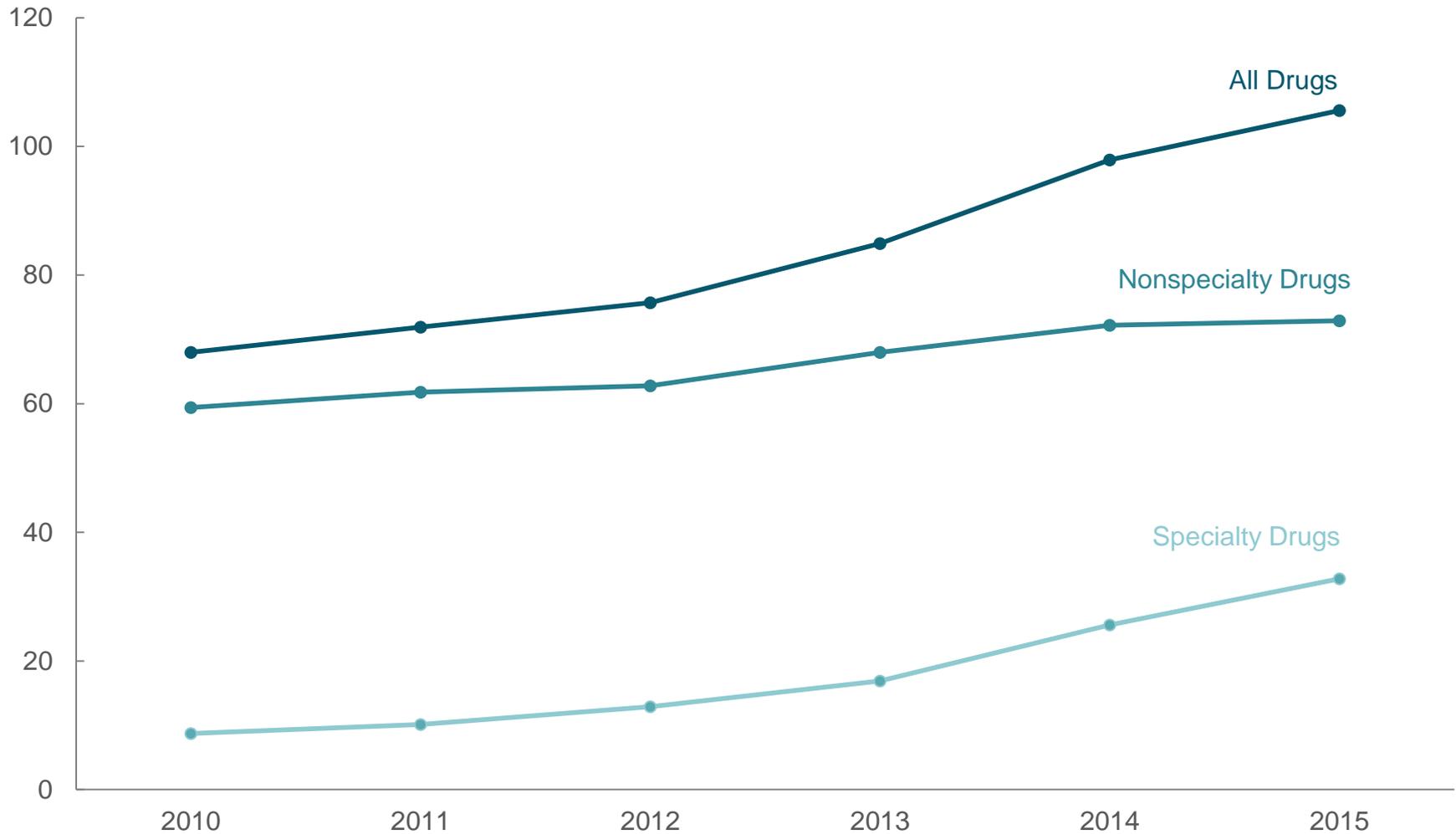
- After controlling for changes in the mix of drugs (using a price index approach), the net price of brand-name specialty drugs in Part D grew at an average annual rate of 5.8 percent from 2010 to 2015 (in 2015 dollars).
- Using the same price index approach, the net price of brand-name nonspecialty drugs in Part D grew at an average annual rate of 7.4 percent from 2010 to 2015 (in 2015 dollars)—somewhat higher than the rate for specialty drugs.

Net Spending on Specialty Drugs

- In Medicare Part D, net spending on specialty drugs rose from \$8.7 billion in 2010 to \$32.8 billion in 2015, an average annual increase of 31 percent.
- In Medicaid, net spending on specialty drugs rose during that period from \$4.7 billion to \$9.9 billion, an average annual increase of 16 percent.
- During that time, the share of net spending accounted for by specialty drugs rose from 13 percent to 31 percent in Medicare Part D and from 24 percent to 34 percent in Medicaid.

Net Drug Spending in Medicare Part D

Billions of Dollars



Estimates have not been adjusted to remove the effects of general inflation.

Share of Net Spending on Brand-Name Specialty Drugs

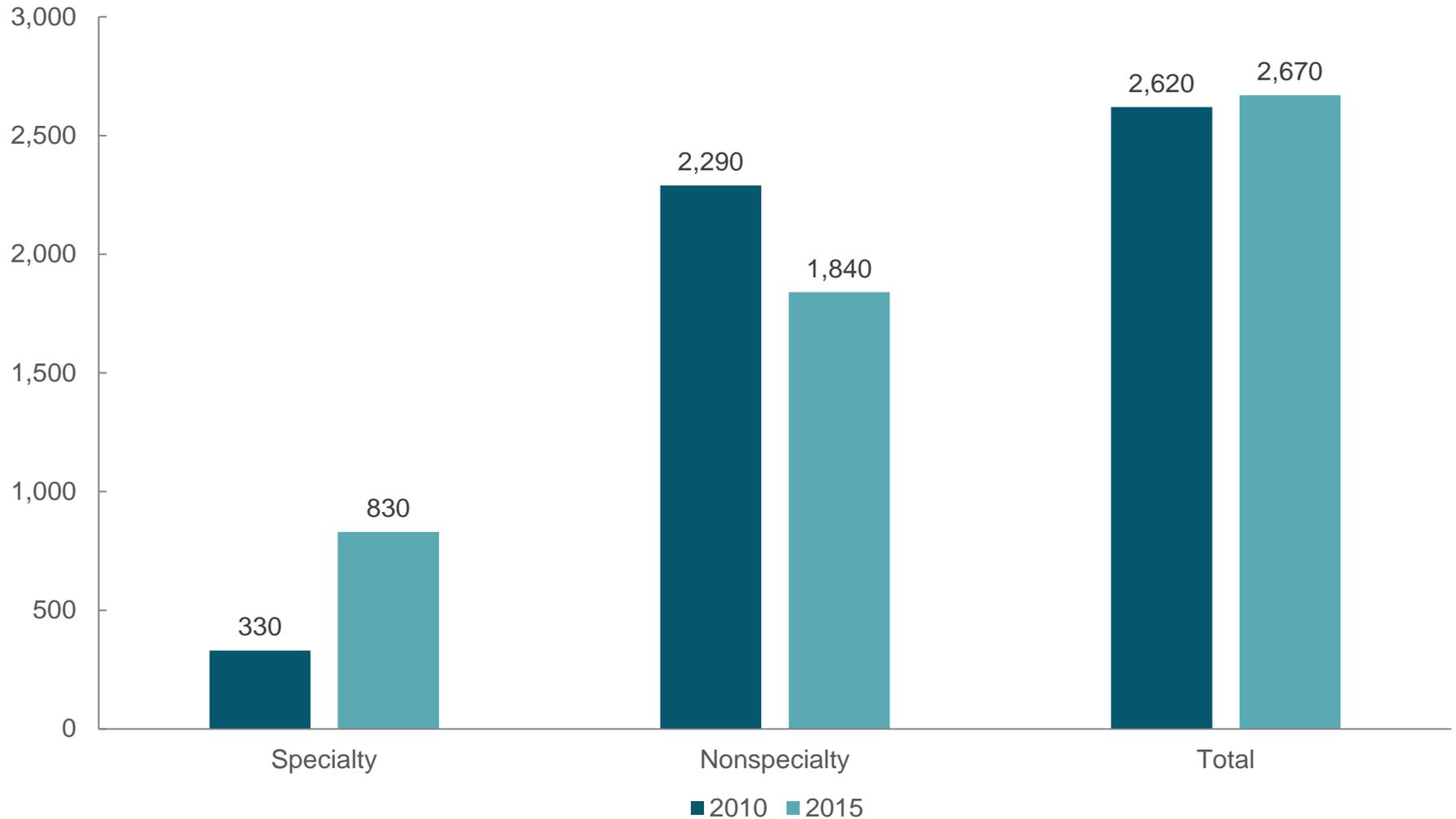
- Brand-name specialty drugs accounted for about 1 percent of prescriptions and 30 percent of net drug spending in Medicare Part D and Medicaid in 2015.
- Brand-name specialty drugs account for about 95 percent of all specialty drug spending in both programs.

Growth in per Capita Net Spending on Specialty Drugs in Medicare Part D, 2010 to 2015

- On a per capita basis, net spending for specialty drugs grew at an average annual rate of 20 percent per year in real (inflation-adjusted) terms over the 2010–2015 period.
- Almost all of that growth can be explained by growth in the average price of a prescription for brand-name specialty drugs, which grew at a similar rate.
- In contrast, real per capita net spending on nonspecialty drugs in Medicare Part D declined at an average annual rate of 4 percent.
- From 2010 to 2015, brand-name specialty drugs accounted for over 80 percent of the growth in real per capita net spending in the catastrophic phase of the Part D benefit.

Per Capita Net Spending in Medicare Part D

Per Capita Spending in 2015 Dollars

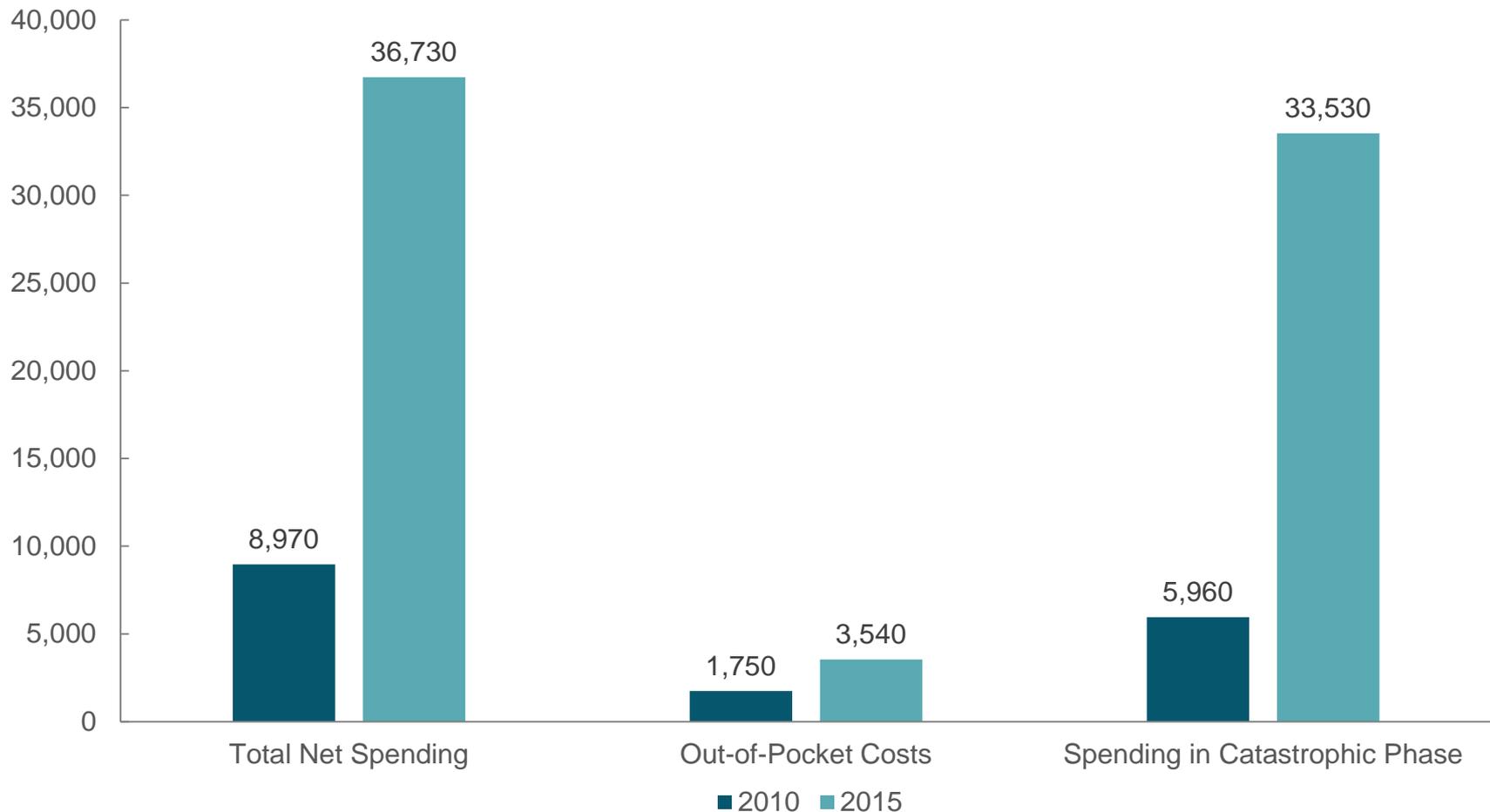


Net Spending on Brand-Name Specialty Drugs Among Medicare Part D Users of Such Drugs

- Among Part D enrollees who used a brand-name specialty drug and received no cost-sharing subsidies, the average annual net spending on such drugs rose fourfold in real terms (from \$8,970 in 2010 to \$36,730 in 2015).
- Most of that increase fell in the catastrophic phase of the Part D benefit.
- The average out-of-pocket cost for brand-name specialty drugs among Part D enrollees who used such drugs and had no cost-sharing subsidies doubled in real terms (from \$1,750 in 2010 to \$3,540 in 2015).

Annual Net Spending on Brand-Name Specialty Drugs Among Users Without Cost-Sharing Assistance

Spending per User in 2015 Dollars



Notes

- For this analysis, new brand-name specialty drugs were defined as new molecular entities or biological products first approved by the Food and Drug Administration between 2011 and 2015.
- Because of data limitations, an analysis of per capita drug spending was not conducted for Medicaid.
- Beneficiaries covered by Medicare Part D are age 65 or older or disabled, whereas beneficiaries covered by Medicaid's drug benefit are mostly adults under age 65 or children in low-income households. Drug spending per beneficiary is much higher in Medicare Part D than in Medicaid.