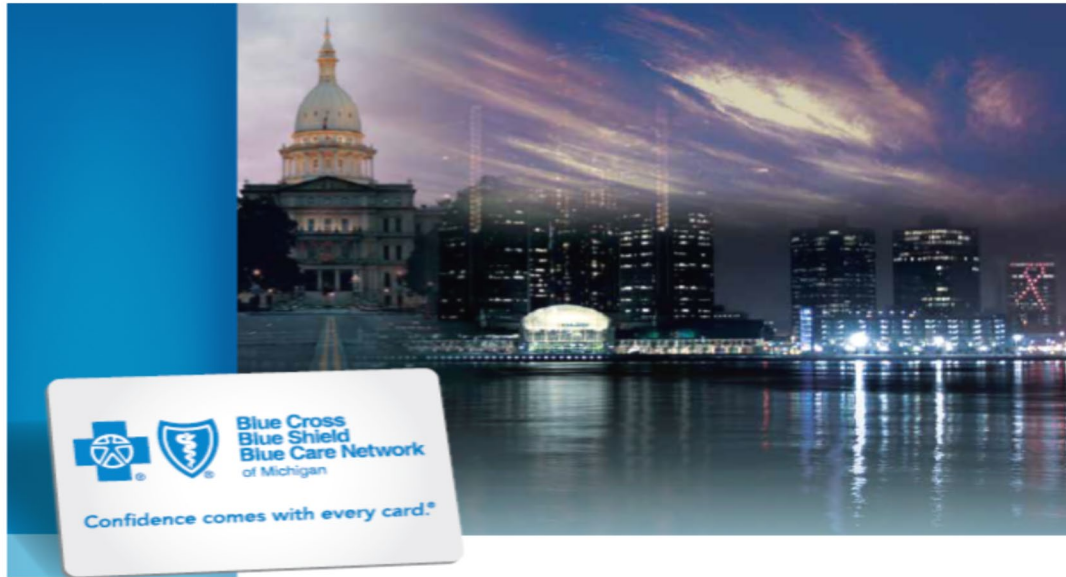


Blue Cross Blue Shield of Michigan Testimony

House Health Policy Committee
June 24, 2020

Testimony prepared by Blue Cross Blue Shield of Michigan
Kristen Kraft, Director State Government Relations
Tim Antonelli, Pharmacy Services

About Blue Cross Blue Shield of Michigan



- A **nonprofit mutual insurance** company founded in 1939
- The largest nonprofit mutual health insurer in Michigan, serving more than **6 million people nationwide**
- Headquartered in Detroit, with more than 8,100 Michigan employees across the state
- Provided more than **\$90 million in 2019** to improve health across Michigan
- Maintained **average operating margin of less than 1 percent for more over 10 years**

Nearly 100 million health care claims processed, with an average claims expense of \$72 million per day

28.7 million prescriptions processed, totaling over \$3.7 billion

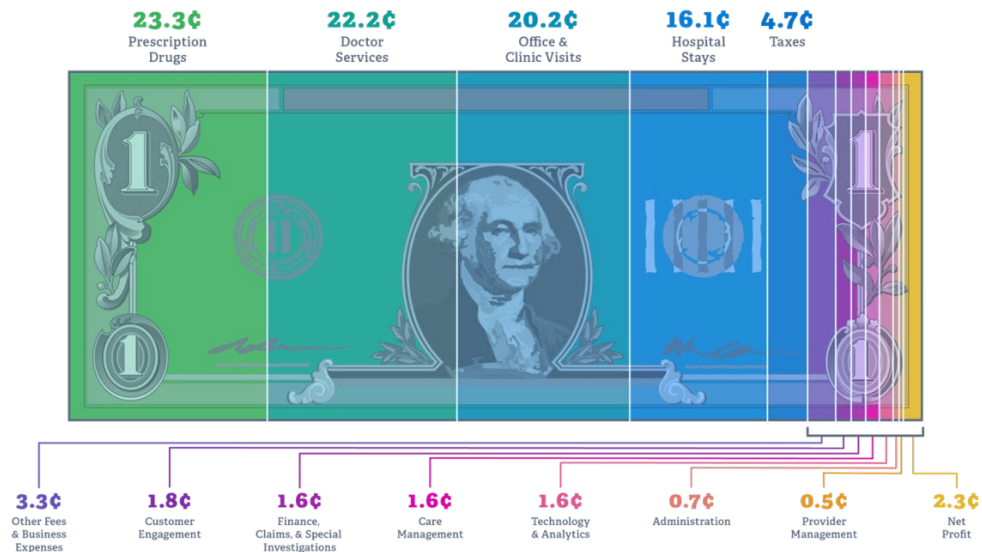
Partnership with Civica Rx, a nonprofit generic drug manufacturer with a mission to ensure that essential generic medications are accessible and affordable

 CIVICA™

The trend in Rx cost is unsustainable

- Prescription drug costs are the fastest growing consumer health expense and will continue that path without action
- Rx costs even exceed the cost of hospital stays
- Branded and specialty drugs, which will include an influx of new and expensive and innovative drugs into the market, will drive up this trend

Estimated national Rx expenditures, 2019-2028

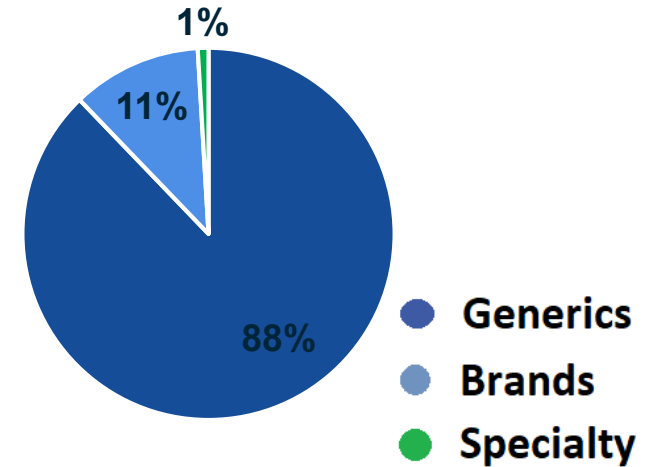


Source: CMS Office of the Actuary, "Projections of National Health Expenditures – 2020; AHIP, "Where Does Your Health Care Dollar Go?"

Blue Cross has experienced similar Rx trends

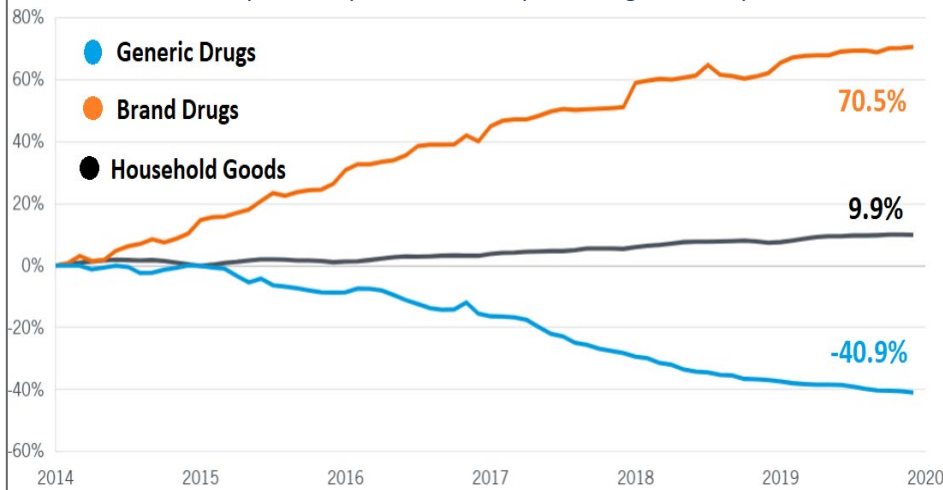
- Specialty drugs account for 1% of claims, yet 47% of all costs.
- The most commonly used brand drugs experienced a list price inflation of 70.5%.
- Without transparency, there is no way to predict how high the cost trend will be, raising health care costs for all.

% Prescription Claims

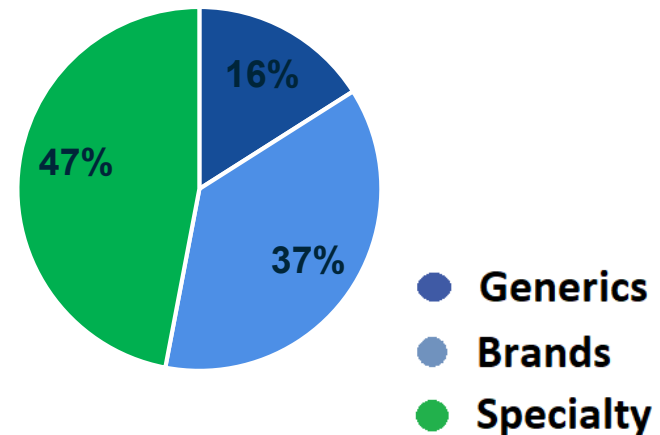


Express Scripts Prescription Drug Price Index 2014-2019

Source: Express Scripts 2019 Prescription Drug Trend Report



% Prescription Costs



Source: BCBSM 2019 claims experience

Manufacturer strategies to prevent competition

Patents

Exclusivity

Sovereign Immunity

Pay for Delay

REMS*

Citizen Petitions**

Patents and exclusivity PhRMA reports that on average it takes 10 years and \$2.6 billion to bring a new drug to market

Analysis of the twelve best selling drugs in the U.S. in 2017 revealed the following:

- Averaged **71** patents issued
- Averaged **15** years on the market
- Average list prices increased **68%** since 2012

Top 12 grossing drugs of 2017

	AVG/DRUG	TOTAL	RANGE
NUMBER OF PATENT APPLICATIONS	125	1498	48-247
PATENTS ISSUED	71	848	27-132
PRICE CHANGE SINCE 2012	+68%	N/A	-58%-163%
YEARS BLOCKING COMPETITION	38	456	31-48
YEARS ON THE U.S. MARKET	15	176	6-21

AbbVie HUMIRA

CONDITION(S) TREATED	Arthritis
NUMBER OF PATENT APPLICATIONS	247
NUMBER OF PATENTS ISSUED	132
PRICE CHANGE SINCE 2012	+144%
YEARS BLOCKING COMPETITION	39
ON THE U.S. MARKET SINCE	2002

Amgen ENBREL

CONDITION(S) TREATED	Arthritis
NUMBER OF PATENT APPLICATIONS	57
NUMBER OF PATENTS ISSUED	41
PRICE CHANGE SINCE 2012	+155%
YEARS BLOCKING COMPETITION	39
ON THE U.S. MARKET SINCE	1998

Pfizer LYRICA

CONDITION(S) TREATED	Pain
NUMBER OF PATENT APPLICATIONS	118
NUMBER OF PATENTS ISSUED	68
PRICE CHANGE SINCE 2012	+163%
YEARS BLOCKING COMPETITION	32
ON THE U.S. MARKET SINCE	2004

Johnson&Johnson XARELTO

CONDITION(S) TREATED	Blood Clots
NUMBER OF PATENT APPLICATIONS	49
NUMBER OF PATENTS ISSUED	30
PRICE CHANGE SINCE 2012	+87%
YEARS BLOCKING COMPETITION	31
ON THE U.S. MARKET SINCE	2011

Manufacturer strategies to prevent competition

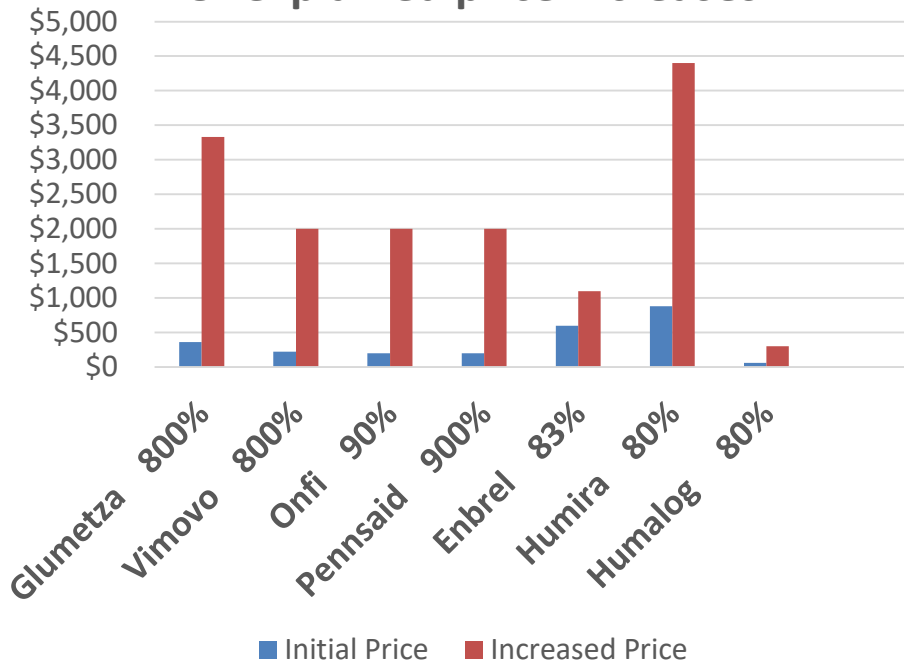
Patents	Exclusivity	Sovereign Immunity	Pay for Delay	REMS*	Citizen Petitions**
		Sovereign Immunity	Pay for Delay	REMS*	Citizen Petitions**
		<ul style="list-style-type: none"> • Allergen transferred patents for Restasis to the St. Regis Mohawk Tribe in 2017 • St. Regis Mohawk Tribe exclusively licensed the rights back to Allergan • Intent was to invoke sovereign immunity to dismiss patent challenges filed by generic makers 	<ul style="list-style-type: none"> • Settlements between brand and generic drug makers to delay generic competition • Supreme Court affirmed that settlements where brand manufacturers pay generics to settle patent litigation and delay entering the market could have “significant anticompetitive effects” and violate the antitrust laws (<i>Actavis vs FTC 2013</i>) 	<ul style="list-style-type: none"> • Intended to help ensure that new drug benefits outweigh their risks • Brand manufacturers have used REMS to block potential generic applicants from accessing product samples needed to create a generic or biosimilar • FDA publishes a list of manufacturers potentially blocking samples (<i>Current list published 2/7/19</i>) 	<ul style="list-style-type: none"> • Intended to allow citizens to raise concerns on FDA policy • Brand manufacturers have used to raise frivolous/questionable claims to prevent competition • Roughly 40% filed a year or less before generic approval • FDA denies the requested action for approximately 80% of petitions filed by drug companies

* Risk Evaluation and Mitigation Strategy (REMS)

** Feldman R, A Citizen’s Pathway Gone Astray — Delaying Competition from Generic Drugs, N Engl J Med. 2017 Apr 20;376(16):1499-1501. doi: 10.1056/NEJMp1700202. Epub 2017 Mar 1

Prescription drug pricing is unpredictable

Unexplained price increases



AG Nessel joins coalition filing third complaint into antitrust, price-fixing investigation of generic drug industry, WLUC, 6/10/2020

No end in sight to rising drug prices, study finds, NBC News, 5/31/19

Drug prices in 2019 are surging, with hikes at 5 times inflation CBS News July 1, 2019

Drug price hikes are back for 2020, Axios, January 6, 2020

FDA approves a generic version of the drug Martin Shkreli monopolized

Damian Garde

February 28, 2020

The Food and Drug Administration on Friday approved a generic version of Daraprim, the anti-infective treatment made famous when Martin Shkreli's company raised its price by more than 5,000%.

The approval means Shkreli's company, now called Phoenixus, will no longer have a monopoly on Daraprim, which lost patent protection years ago. Cerovene, a U.S. generics company, will market an identical product.

High costs drug examples

Drug	Cost per patient per year*
Zolgensma™	\$2,100,000
Luxturna™	\$850,000
Exondys 51™	\$800,000 ¹
Ravicti®	\$790,000
Spinraza®	\$750,000 ²
Brineura™	\$702,000
Soliris®	\$540,000
Hemlibra®	\$500,000
Kymriah Yescarta (CAR-T)®	\$373,000 – \$475,000 ³
Vitrakvi®	\$393,000
Cuprimine®	\$380,000
Kalydeco®	\$307,000

*Annual cost estimates are based on wholesale acquisition cost (WAC), average dosing and rounded; Zolgensma™, Luxturna™ and CAR-T are given as one-time treatments

¹ Based on average weight; costs could exceed \$1 million per patient per year

² For first year, then \$375,000 annually

³ Yescarta and Kymriah drug costs; Total medical costs could exceed \$1 million

Consumer protections that improve care, address costs



Prescription Drug Benefits

- Coverage of prescription medications
- Access to a nationwide network of pharmacies
- Preventive medications at \$0 cost
- Real-time drug pricing information
- Drug formulary list of all drugs covered



Member Protections

- Minimum loss ratio
- Out-of-pocket maximums
- Drug safety programs



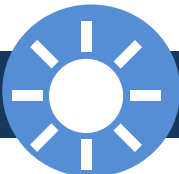
Regulatory Compliance

- Network adequacy
- Drug formulary coverage standards
- Utilization management standards
- Rate approvals



Pharmacy Benefit Manager Contracting

- Lower drug costs
- Increase access to drugs
- Claims processing
- Broad pharmacy networks
- Negotiate prescription drug rebates
- Improved medication adherence



Transparency

- Real-time electronic tools with cost, benefit design
- Highly regulated at the state and federal level

Questions?

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