Real Time Benefit Tools: The Most Important Drug Price Reform You've Never Heard Of

The United States government is the largest purchaser of prescription drugs in the country. Prescription drug spending in the US was $457 billion in 2015[1], exceeded $500 billion by 2019, and is growing three times faster than inflation[2].

Factors driving this increase include utilization (increased number of prescriptions per person) and changes in composition of drugs prescribed (increased higher-priced and specialty drug usage).

The largest component of the US government's drug spend is Medicare Part D, the outpatient prescription drug benefit that covers 48 million people or 75% of total Medicare beneficiaries.[3] While Part D is a successful program by most measures, it is not without flaws. Between 2010 and 2015, the average net price per prescription of brand-name specialty drugs grew by 22% in Medicare Part D.[4] In addition, prices for 60% of drugs covered by Part D increased more than the inflation rate in 2017.[5]

Health consequences and drug cost sharing

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Due to this increase in the number of high-cost drugs and prescription drug prices, the past decade has seen a significant increase in the number of Part D beneficiaries reaching the catastrophic threshold quicker—and staying in the phase for longer periods of time.[6] Given the higher-priced drug mix and the need to hold premiums in the competitive Part D markets, plans have shifted to coinsurance from copayments for more expensive drugs. A 2017 study found that beneficiaries reaching catastrophic coverage in Part D incurred an average of $3,218 in out-of-pocket costs—a number that will be a good deal higher in 2021.[7]

As out-of-pocket costs rise, Medicare beneficiaries are more likely to ration or stop taking medications as prescribed. Research shows that increased patient cost-sharing leads to decreased adherence resulting in lower health outcomes.[8] A recent study conducted on Medicare Part D programs showed when there was a 33% increase in coinsurance, or $10.40 per drug, a 22.6% drop in drug consumption followed with a 32.7% jump in mortality. The sickest and higher-risk patient populations appear to be more likely to forgo their medication in response to a price shock.[9]

Attempted and Actual Drug Pricing Reforms

A series of controversial Trump administration initiatives to contain Medicare drug costs were not implemented. These initiatives include: 1) removal of the safe harbor protection on drug rebates, 2) establishing an international price index for Part B drugs, and 3) requiring a drug maker to list a drug's list price in television ads. However, not all Trump administration initiatives were without impact. A new demonstration program that caps the price of insulin at $35 a month achieved strong participation from both drug manufacturers and plans offering a Part D benefit in 2021.[10] And last fall, the Centers for Medicare and Medicaid Services (CMS) released its final rule on

Transparency in Coverage[11], requiring plans to put on their website their in-network negotiated rates, billed charges and cost-sharing data.

In that same vein, in January, CMS finalized rules requiring plans offering Part D to offer a real-time benefit tool (RTBT) that allows beneficiaries to compare their out-of-pocket expenses for different therapeutically equivalent drugs. While other Trump administration drug pricing reforms were controversial media events, RTBT is a quiet, technocratic improvement that has been implemented without fanfare. RTBTs come in two varieties: First, effective January 2021, plans offering Part D must embed an RTBT within at least one prescriber's e-prescribing (eRx) system or electronic health record (EHR). Once embedded, the RTBT must provide complete, accurate, timely, clinically appropriate, patient-specific formulary and benefit information to the prescriber in real time to assist the prescriber in making a more informed prescription decision. Second, effective in January 2023, is the member-facing RTBT, which we believe will prove transformative. We have already seen its impact.

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Member-Facing RTBTs in Action

Rx Savings Solutions has operated member-facing RTBTs for self-insured employers, commercial and government-sponsored health plans (including Medicare Advantage plans) with drug benefits since 2012. Today, Rx Savings Solutions serves nearly 8 million plan members across all lines of business. Its member portal and mobile app analyze pharmacy claims to identify the lowest-cost, clinically-appropriate drugs for members. The price comparison visually lists lower-cost options based on the aggregated information from the members' drug formulary and plan design. Less technology-adept members have the option to call and speak to a pharmacy technician who provides the same information verbally.

In 2020, Rx Savings Solutions was able to help health plans realize 69% of total cost savings delivered; members saved 31%. The average savings per prescription fill ranged from $110 - $168. In addition to the savings, plans and members experience improved patient satisfaction and adherence rates. Member savings and RTBT use are higher in Medicare plans than in commercial plans, based on experience at health plans where the Rx Savings Solutions serves both markets. In one plan with 700,000 members, MA members use the RTBT 20% more often than commercial members. High engagement and satisfaction will also influence Stars rating measures as the categories' weighting progressively increases through 2023.[12]

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Conclusion: Why Health Plans Should Care about RTBT

Required or not, member-facing RTBTs are a win-win for health plans and their members, both of whom save because of drug price transparency. And because we know that drug affordability correlates strongly with drug adherence, it can be reasonably assumed that RTBTs improve health outcomes.

In a recent 2020 consumer survey, Rx Savings Solutions asked 700 healthcare consumers who they believe should be responsible for making drug prices more affordable. Over 55% of respondents identified the government and their health plans.[13] With this in mind, numerous health plan departments should be interested in RTBTs—pharmacy, care management, quality, finance, member services and MA product teams. While RTBTs are now mandated in the Medicare market, their value spans insurance markets; when they are made available, they are well received.

We have no doubt that RTBTs will be commonplace in health plans that offer drug benefits. The least publicized of the Trump drug pricing initiatives will likely prove the most impactful.

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