

Summary of the “Insulin Price Reduction Act”

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BACKGROUND

Rising insulin prices have been a growing concern for people with diabetes and their families in recent years. Between 2012 and 2016, the average list price of insulin nearly doubled.¹ According to the Health Care Cost Institute, the price of an average 40-day supply of insulin rose from \$344 in 2012 to \$666 in 2016. This dramatic price growth comes on top of significant price increases between 2002 and 2013, when insulin list prices nearly tripled.² Recent research suggests that insulin list prices are growing at significantly faster rates than the growth of net prices, after accounting for rebates³ that insulin manufacturers pay to pharmacy benefit managers (PBMs) and insurers. These substantial rebates have helped drive list price increases because these rebates are based on a percentage of the list price. As PBMs and insurers require a greater percentage rebate off of list prices, it creates incentives for manufacturers to increase list prices.

While many patients do not have to pay these full list prices at the pharmacy counter and instead simply pay co-pays or limited coinsurance for insulin, other uninsured patients and individuals in high-deductible health plans are forced to pay the full list price when purchasing insulin. For these individuals, the prices are hitting a tragic breaking point, as patients have died from diabetic ketoacidosis complications that result from rationing insulin due to its high cost.⁴

INSULIN PRICE REDUCTION ACT

The “Insulin Price Reduction Act” would prohibit PBMs and insurers from receiving rebates or other remuneration for insulin products for which the manufacturer has complied with the bill’s list price reduction requirements. Specifically, insulin manufacturers that reduce the 2020 list price of their insulin product to a level no higher than the 2006 list price will be eligible for these rebate restrictions. To retain the rebate restriction treatment for the following year, any increases in the list price for the insulin product must be limited to no more than the increase in medical inflation for the year. These rebate restrictions would apply to all private insurance plans and Medicare Part D plans.

The bill would also require that PBMs and insurers waive the deductible for any insulin product that meets these list price reduction requirements each year. These deductible limitations would apply to all private insurance plans.

Together these two changes would save many people with diabetes hundreds or thousands of dollars per year in pharmacy costs, while rolling back more than a decade of insulin price hikes.

¹ Biniek, Jean Fuglesten and Johnson, William, “Spending on Individuals with Type 1 Diabetes and the Role of Rapidly Increasing Insulin Prices,” Health Care Cost Institute, January 2019. Available at: <https://www.healthcostinstitute.org/research/publications/entry/spending-on-individuals-with-type-1-diabetes-and-the-role-of-rapidly-increasing-insulin-prices>

² Hua, Xinyang and Carvalho, Natalie, et al, “Expenditures and Prices of Antihyperglycemic Medications in the United States, 2002-2013.” Journal of the American Medical Association, 2016. Available at: <https://jamanetwork.com/journals/jama/fullarticle/2510902>

³ Cefalu, William et al, “Insulin Access and Affordability Working Group: Conclusions and Recommendations,” Diabetes Care, June 2018. Available at: <http://care.diabetesjournals.org/content/diacare/41/6/1299.full.pdf>

⁴ Sable-Smith, Bram, “Insulin’s High Cost Leads to Lethal Rationing,” NPR News, September 1, 2018. Available at: <https://www.npr.org/sections/health-shots/2018/09/01/641615877/insulins-high-cost-leads-to-lethal-rationing>