Improving Prescription Drug Price and Cost Transparency

To empower patients and address health care costs, the AMA encourages prescription drug price and cost transparency among pharmaceutical companies, pharmacy benefit managers (PBMs), and health insurers. While the reasons for prescription drug price increases are complicated and varied, rising prescription drug costs may adversely affect patients' health when they cannot afford the medications prescribed to them. Pharmaceutical manufacturers, PBMs, and health insurers contribute to prescription drug cost increases that influence patient cost-sharing, drug tiering decisions, prior authorization policies, decisions whether to change formularies in the middle of a plan year, and patient decisions whether to take their medication as prescribed. The AMA puts forward specific policy proposals for each of these key players to increase prescription drug price and cost transparency.

For Pharmaceutical Companies

- Require pharmaceutical manufacturers to provide public notice before increasing the price of any drug (generic, brand, or specialty) by 10 percent or more each year or per course of treatment and provide justification for the price increase.

- Require pharmaceutical manufacturers to publicly disclose a variety of information, which could include research and development costs; expenditures on clinical trials; total costs incurred in production; and marketing and advertising costs.

For Pharmacy Benefit Managers

- Support improved transparency of PBM operations, including disclosing:
    - Utilization information
    - Rebate and discount information
    - Financial incentive information
    - P&T committee information, including records describing why a medication is chosen for or removed from the P&T committee's formulary, whether P&T committee members have a financial or other conflict of interest, and decisions related to tiering, prior authorization and step therapy
    - Formulary information, specifically information as to whether certain drugs are preferred over others and patient cost-sharing responsibilities, made available to patients and to prescribers at the point-of-care in electronic health records (EHRs)
    - Methodology and sources utilized to determine drug classification and multiple source generic pricing
    - Percentage of sole source contracts awarded annually

- Require the application of manufacturer rebates and pharmacy price concessions to drug prices at the point-of-sale.

- Actively regulate PBMs under state departments of insurance.

Get the TruthinRx

In 2016, the AMA launched a grassroots campaign and website, TruthinRx.org, the goal of which was to expose the opaque process that pharmaceutical companies, PBMs, and health insurers engage in when pricing prescription drugs and to rally grassroots support to call on lawmakers to demand transparency. To date, nearly 350,000 individuals have signed a petition to Members of Congress in support of greater drug pricing transparency, with the campaign also generating more than one million messages sent to Congress demanding drug price transparency.

Visit www.truthinrx.org to learn more.

For Health Insurers

- Improve transparency in formularies, prescription drug cost-sharing, and utilization management requirements.
- Make formulary requirements and restrictions easily accessible by patients and prescribers.
- Declare which medications are available on formularies by October 1 of the preceding year.
- Unless a change is made for safety reasons, prohibit drugs from being removed from the formulary or moved to a higher cost tier during the duration of the patient's plan year.
- Provide appropriate notice to physicians and plan enrollees prior to removing a prescription drug from the plan's formulary, or making any change in the preferred or tiered cost-sharing status of a covered drug.
- Post the formulary, as well as the complaint, reconsideration, and formal appeals process, and denial rates for utilization controls, on the plan's website, and keep the formulary up to date.
- Increase transparency at the point-of-prescribing by providing physicians with timely, accurate and complete information on drug formularies and drug utilization management policies at the point-of-care in EHRs, without imposing additional health information technology costs or burdens on physicians.
- Provide additional education regarding formularies, deductibles, cost-sharing and utilization management techniques (e.g. prior authorization and step therapy) at the time of health plan enrollment, including through the use of online prompts and the provision of examples of patient cost-sharing responsibilities for prescription drugs in different tiers.

Need Model Legislation for Your State?

The AMA has developed model state legislation, "An Act to Increase Drug Cost Transparency and Protect Patients from Surprise Drug Cost Increases During the Plan Year." The model bill provides patients with relevant, accurate information about the manufacturing, production, advertising and other associated costs relating to their prescription medications. The model bill also protects patients from surprise decisions of health insurers and pharmaceutical benefit management companies to shift costs on consumers by ensuring that co-pays, co-insurance, or utilization management requirements will not change during the plan year after a patient purchases a health plan.

For more information, email AMA's Advocacy Resource Center at arc@ama-assn.org.