VIEWPOINT

High Prices for Drugs With Generic Alternatives
The Curious Case of Duexis

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Approximately 13% of health care expenditures in the United States are for prescription drug spending, nearly $420 billion in 2015.[1] High-priced pharmaceuticals, therapies that cost more than $600 per month, are projected to eclipse 50% of total drug spending by 2018.[2] Price increases for these therapies have been persistent, with unit costs increasing 164% between 2008 and 2015.[2] Pharmacy benefit managers are third-party administrators that process and pay prescription drug claims and negotiate drug prices with manufacturers. Pharmacy benefit managers have sought to manage prescription drug use and mitigate cost increases through such measures as prior authorization and step therapy requirements for physicians, increased copayment requirements for patients, and exclusion of some expensive medications from health plan formularies. Using the illustrative example of Duexis, a single-tablet, fixed-dose combination of the nonsteroidal anti-inflammatory (NSAID) ibuprofen and the histamine H2-receptor antagonist famotidine marketed by Horizon Pharma (Dublin, Ireland), we describe how some pharmaceutical companies have sought to circumvent such restrictions and maintain high prices for drugs, even for those with generic alternatives.

Duexis was approved by the US Food and Drug Administration (FDA) in 2011 to relieve symptoms of osteoarthritis and rheumatoid arthritis and to decrease the risk of developing gastric and duodenal ulcers in patients at risk for NSAID-associated ulcers. After approval, Duexis was first marketed at an average wholesale price, a benchmark used for pricing and reimbursement of prescription drugs, of $158.40 per month.[3] The drug is a combination of 2 over-the-counter medications that are sold as generics and would cost approximately $16 per month if purchased separately at the same doses.[3] Since 2012, Duexis has had 11 price increases (**Figure**).[3] As of August 12, 2016, the monthly wholesale price was $2061, representing a 1131% aggregate increase.[3] In 2015, nearly $200 million was spent on Duexis in the US, with estimated cumulative revenue over 5 years of more than $600 million since FDA approval.[3]

Pharmaceutical companies employ several tactics to offset prior authorization, step therapy, and other utilization controls imposed by pharmacy benefit managers on physicians. Horizon, for example, has physicians submit Duexis prescriptions directly to an affiliated mail-order specialty pharmacy, which prepares the prior authorization paperwork and provides medical justification to the pharmacy benefit manager on behalf of the physician, reducing the administrative burden.[4,5] Horizon reports that 70% of Duexis prescriptions are filled through their "Prescriptions Made Easy" specialty pharmacy program.[4] One such specialty pharmacy, Linden Care, has 59% of its business dedicated to dispensing drugs made by Horizon Pharma.[5] In 2016, the US Attorney's Office for the Southern District of New York was investigating Horizon's specialty pharmacy practices.[6]

To circumvent copayment requirements imposed by pharmacy benefit managers on patients to reduce use of high-priced drugs, pharmaceutical companies frequently offer copay assistance, also known as drug coupons; coupons cover direct costs to patients but not the amounts that insurers pay the manufacturer.[7] In 2015, pharmaceutical manufacturers spent more than $7 billion on copay assistance.[8] Horizon reports that 98% of patients prescribed Duexis have copayments of no more than $10, with most paying $0. Thus, patient out-of-pocket costs for Duexis are less than for ibuprofen and famotidine purchased separately.[4,5] Federal programs, such as Medicare, do not permit manufacturers to provide copay assistance, because such assistance is considered an illegal inducement to encourage use of the drugs. Pharmaceutical companies, however, can work around this federal policy by providing financial assistance to patients through "independent" charities. The Patient Access Network Foundation, a large copay charity, provides financial assistance to patients prescribed Duexis.[9]

Pharmacy benefit managers also limit use of high-priced drugs through drug exclusion lists, removing them from health insurance formularies. When 2 large pharmacy benefit managers, Express Scripts and Caremark, placed Duexis on their drug exclusion lists in 2015, Horizon provided Duexis without charge to patients covered by plans using these benefit managers.[4] This response ensured that patients who received Duexis at no cost and the physicians who prescribed it remained aware of the brand, while the company collected revenue from the many other payers that continued to reimburse the drug. Moreover, drug exclusion lists are not permanent, and patients may switch plans. Pharmaceutical companies also ensure that their expensive therapies remain on formularies by providing rebates to pharmacy benefit managers, calculated as a percentage of the dollar value of a dispensed drug.[6,10] As the result of an increased rebate offer from Horizon, Caremark removed Duexis from its exclusion list for 2017.[6] Pharmacy benefit managers may provide some of the rebate savings to their customers, but typically much of the rebate is kept by the benefit manager as additional revenue.[10]

In 2015, Horizon's CEO was among 5 industry leaders elected to the board of directors of the Pharmaceutical Research and Manufacturers of America. The tactics employed by Horizon and its Prescriptions Made Easy specialty pharmacy program have been used to increase sales for other expensive drugs with effective, lower-priced, generic alternatives. Examples include Horizon's

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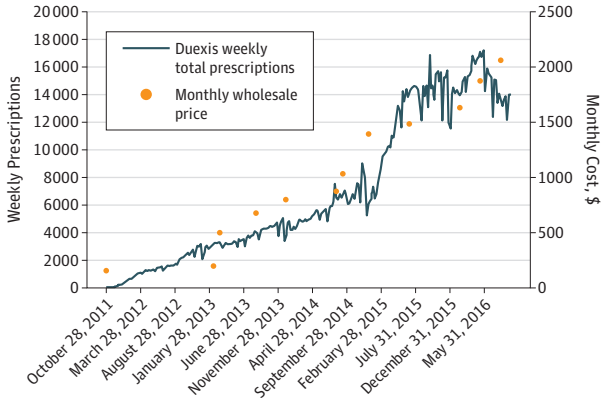
Figure. Weekly Prescriptions for Duexis and Monthly Wholesale Price After Each of the 11 Price Increases Since October 2011, When Duexis Was First Made Available in the United States



Vimovo (naproxen/esomeprazole), Novum's Alcortin A (hydrocortisone/iodoquinol) topical gel, Valeant's Zyclara (imiquimod) topical cream, Mallinckrodt's Acthar gel (Corticotropin injection), and Insys Therapeutics' Subsys (fentanyl) sublingual spray.[3]

The US experience with Duexis illustrates the problem of self-serving interests in health care. Companies charge what the market will bear and use available strategies to circumvent price and utilization constraints. Insurance plans and pharmacy benefit managers generally avoid the negative publicity that accompanies restrictive drug formularies and pass along the associated increases in costs through higher premiums. Patients, noting that they have paid for health insurance coverage, request what they believe to be the best and most convenient therapies, regardless of the price or generic alternatives. Physicians, perceiving that they are acting in the best interests of the individual patient and seeking to avoid disagreements and insurance hassles, are often unwilling to advocate for clinically equivalent but less costly therapies.

There should be greater scrutiny of the medical value of expensive drugs, especially those that have readily available and inexpensive generic alternatives. But what other lessons can be learned from the example of Horizon Pharma and Duexis? First, the states and the federal government should consider banning specialty pharmacies or other third parties from preparing or submitting prior authorization forms or other medical necessity paperwork; this is the responsibility of the physician who prescribes the medication. This practice undermines the intent of utilization controls and raises concerns about patient privacy. Second, states should consider markedly restricting the use of copay assistance programs, particularly since the majority of drug coupons are for brand-name medications for which lower-cost therapeutics are available.[7] Third, better federal regulation and oversight of charity organizations that provide financial assistance to patients is needed. For example, contributions to such organizations from manufacturers should not be allowed for diseases treated by a single drug, because manufacturers can effectively ensure that donations will be spent only on copay assistance for their products. To preserve the long-term financial stability of the health care system, the use of medications that provide high value to patients should be the priority, not high-priced drugs with generic alternatives.

ARTICLE INFORMATION

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