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Date: September 30, 2025

To: Senator Bailey, Representative Mathieson and Members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services

CC: Colleen McCarthy Reid, Principal Analyst, Office of Policy, and Legal Analysis
Bethany Beausang, Senior Policy Advisor, Office of Governor Janet T. Mills
Joel Allumbaugh, Chair of MHDO Board of Directors
Meg Garratt-Reed, Executive Director, Maine Office of Affordable Health Care
Maine Prescription Drug Affordability Board

FROM: Karynlee Harrington, Executive Director, Maine Health Data Organization

RE: Prescription Drug Transparency Report

Public Law 2019, Chapter 470, *An Act to Further Expand Drug Price Transparency,* requires the Maine Health Data Organization to submit an annual report on prescription drug pricing to the Joint Standing Committee on Health Coverage, Insurance and Financial Services.

Attached are the findings of our fifth annual report. This report has been posted to MHDO's website, which can be found here: https://mhdo.maine.gov/RxDrugPricingTransparency.htm.

Please don't hesitate to contact me directly with any questions.

Karynlee

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Prescription Drug Price Transparency Report

Title 22, §8736, requires the MHDO to produce and post on its publicly accessible website an annual Drug Price Transparency Report. The content of the report is to include information developed from the disclosures submitted to MHDO per the requirements of 90-590 Chapter 570, Uniform Reporting System for Prescription Drug Price Data Sets, from manufacturers, wholesale drug distributors and pharmacy benefits managers, referred to as reporting entities. Specifically, the report provides information on trends in the cost of prescription drugs, analysis of manufacturer prices and price increases, the major components of prescription drug pricing along the supply chain, and the impacts on insurance premiums and cost sharing and any other information the MHDO determines is relevant to providing greater consumer awareness of the factors contributing to the cost of prescription drugs in the State.

This is MHDO's fifth annual report and includes an additional year of data for CY 2023. A key finding that has been consistent across all prior reports is that for generic drugs, the Average Wholesale Price (AWP - the value from which payer contracted rates are set) is often set to a much higher value than the Wholesale Acquisition Cost (WAC – the list price charged by manufacturers to wholesalers before rebates). AWP values for generic drugs are often set by manufacturers as a discount from the WAC value of the equivalent *brand drug* as it exists at the time the first generic product is introduced to market. Once set, manufacturers do not update the value of AWP as the value of WAC changes over time. As a result, while WAC prices differ between generic manufacturers, AWP prices show very little variation and are often the same across manufacturers. The result is that payers pay contracted rates that are effectively the same across all equivalent generic drug products, even though the cost to the pharmacy for these drugs varies greatly from one manufacturer to the next. **In an analysis of generic drugs with WAC price reductions during 2023, the AWP value had an average markup from WAC of 2,165.16% after WAC decreases were applied.**

Pharmacies can reduce the cost of drug inventory by acquiring generic products from manufacturers with the lowest WAC. However, payers do not receive a corollary benefit from lower WAC prices when AWP, the basis for pharmacy reimbursement, remains static across generic manufacturers. Instead, the reductions the manufacturers make in WAC result in a higher margin to the pharmacy – in some instances, a pharmacy receives greater income for a product than the product's manufacturer.

The data suggest that there may be opportunities for prescription drug cost reductions in Maine if the payment for prescription drugs more closely aligned with actual drug acquisition costs.

Highlights of MHDO's Prescription Drug Transparency Report

Highlights and conclusions of MHDO's fifth annual report include:

- Factors in the prescription drug market impact brand and generic pricing such that lower prices that exist for entities in the pharmaceutical supply chain are not always realized by payers and consumers.
    - In 2023, **67.78% of commercial claims and 75.28% of Medicare** (see footnote 1) **claims had payment amounts that were more than 15% above the amount that pharmacies paid to acquire the drug dispensed**, before dispensing fees.
        - Mainers (payers and members) paid a total of $638.0M before dispensing fees for these claims.
        - The aggregate difference between the total pharmacy acquisition cost and the total claims paid amount for these claims was $285.1M, representing 12.04% of the overall ingredient cost paid across all commercial and Medicare claims in the state.

        - In other words, of the total $638.0M paid for the ingredient cost of these claims, $352.9M went to drug manufacturers and $285.1M was earned by intermediaries such as wholesalers, PBMs, and pharmacies.
    - There are opportunities for cost reductions in Maine through policy that seeks to more closely align the payment for prescription drugs with actual drug acquisition costs.

- Variation in pricing and rebate practices exists amongst different manufacturers, wholesale distributors, and Pharmacy Benefits Managers (PBMs) (referred to in this report as reporting entities) and depends on the type of drug (e.g., brand vs. generic, single source vs. multiple source). No single reporting entity in the pharmaceutical supply chain is responsible for prescription drug costs in Maine.
    - Manufacturers specify the wholesale acquisition cost (WAC) for the drugs they produce.
    - Wholesalers typically pay manufacturers the WAC price to acquire the drugs and later sell the drugs to pharmacies at market prices (often less than WAC).
    - Manufacturers may provide publishers of prescription drug pricing with a suggested average wholesale price (AWP) value. Where manufacturers do not provide a suggested AWP, the value is typically set as WAC + 20% by data publishers (see footnote 1).
    - Manufacturers do not receive revenue based on the AWP; instead AWP values represent the price that the manufacturer suggests that wholesalers charge when selling the manufacturer's drug to the wholesaler's customers (e.g. pharmacies). In practice, wholesalers sell most drugs to pharmacies at or below the value of WAC.
    - Pharmacy benefits managers (PBMs) negotiate contracted rates between pharmacies and payers for the drugs the pharmacies dispense. Contracted rates are typically a percentage-based discount from AWP plus a fixed dispensing fee. As a result, when AWP values are set at substantially higher values than WAC, payers (insurance companies and consumers) may pay more to the pharmacy than the cost from the manufacturer.

- While only 9.3% of prescription drugs on the market incurred increases in wholesale acquisition costs (WAC) during 2023, on average those increases continued to occur at rates that exceed the annual consumer price index and with greater frequency for brand drugs than observed for generic drugs. Of 44,803 active brand and generic prescription NDCs in the pharmaceutical market, Mainers filled prescriptions for 31,433 drugs in 2023. Less than 1% of these drugs (56 drugs total – 45 brand drugs, and 11 generic drugs with a beginning wholesale acquisition cost of $10 per pricing unit) had increases in the wholesale acquisition costs in 2023 of more than 20%. Detailed information can be found in the Trends in the Costs of Prescription Drugs section of the report.

- Generic drugs showed a general decrease in WAC during the year; however, AWP values remained largely static, resulting in only marginal decreases in the costs of generic drugs paid by payers (insurance companies and consumers) when compared to the reduction in the cost for generic drugs realized by pharmacies.
    - MHDO reviewed 729 multi-source generic drugs (available from multiple manufacturers) with claims before and after a WAC price decrease during 2023. While WAC prices decreased 47.21% (resulting in a WAC savings of $11.5M as related to prescriptions filled after the decrease), the Average amounts paid decreased only 10.79% (resulting in a paid amount savings of $3.6M for prescriptions filled after the decrease).

- MHDO reviewed 507 unique brand and generic drugs (specifically NDCs) for which pricing component data was submitted to MHDO per the requirements of 90-590 Chapter 570, *Uniform Reporting System*

for Prescription Drug Price Data Sets, and MHDO's commercial claims data was submitted by payers per the requirements of 90-590 Chapter 243, *Uniform Reporting System for Health Care Claims Data Sets,* for the time period 2023 (see footnote 3).

- For the subset of 507 drugs:
    - The average amount paid by insurance companies and consumers after rebates was 76.15% of the average WAC amount for a given brand drug and 400.95% for a given generic drug.
    - PBMs reported receiving rebates from manufacturers (for favorable drug placement on their formularies) representing 17.16% of the average WAC amount for brand drugs (NDCs) and 3.58% for generic drugs (NDCs) (3.94% overall).
        - In aggregate, PBMs reported receiving $105.2M in rebates, while the total amount reported as received from payers (covering the ingredient cost, dispensing fees and administrative fees) for claims administered in Maine for the same drugs was $282.7M.
        - While the percentage of rebates reported as passed through to payers varied significantly at an NDC level, when measured in the aggregate, 89.51% of the total amount of rebates reported by PBMs was passed through to payers.
    - On average, wholesalers received rebates from manufacturers (as a way to encourage the wholesaler to buy large quantities of their products) in the amounts of 3.50% for brand drugs and 17.62% for generic drugs (14.62% overall) when applied against acquisition cost on a per unit basis. Rebates received by wholesalers from manufacturers are largely passed through to pharmacies as price reductions, allowing wholesalers to sell drugs to pharmacies at a cost that is less than WAC. This means that on average for every $10.00 in WAC, wholesalers paid $9.75 after rebates for brand drugs and $8.24 after rebates for generic drugs.

Year over year observations:

- Nine of the top 10 most costly drug families (groups of drugs that share a unique generic drug description (non-trade name) and drug form) reported in Maine for 2023 remain the same as reported for 2022. These drugs are commonly prescribed for indications including rheumatoid arthritis, Crohn disease, blood clots, diabetes, multiple myeloma, and cystic fibrosis.
- The top 10 drug families that were most utilized remain the same as reported for 2022. These drugs are commonly prescribed for indications including high cholesterol, hypothyroidism, high blood pressure, asthma, depression, heartburn, and epilepsy.
- Seven of the top 10 drug families having the highest year-over-year cost increase remain the same as reported for 2022. These drugs are commonly prescribed for indications including diabetes, Crohn disease, asthma, and certain forms of cancer. Two of the three drugs that are new to the list for 2024 are also indicated for weight management.

Abbreviations

APCD – All Payer Claims Database

AWP – Average Wholesale Price

FDA – The federal Food and Drug Administration

NDC – National Drug Code

PBM – Pharmacy Benefits Manager

WAC – Wholesale Acquisition Cost

Definitions

Average Wholesale Price – a prescription drug term originally intended to convey the average price for medications offered at the wholesale level. Manufacturers may provide publishers of AWP with a suggested AWP value or specify a markup value to be applied to WAC. Where manufacturers do not provide AWP guidance, the value is typically set as a 20% markup over WAC (see footnote 2).

Brand Drug – a prescription drug, having a unique NDC, marketed under a proprietary name or registered trademark name, including a biological product, and approved under a New Drug Application or Biologics License Application.

Drug Family – a group of one or more prescription drugs that share a unique generic drug description (non-trade name) and drug form.

Fill – The dispensing of a prescription drug by a pharmacist whether as the initial dispensing of a prescription or as a subsequent refill.

Generic Drug – a prescription drug, having a unique NDC, whether identified by its chemical, proprietary or nonproprietary name, that is not a brand drug, is therapeutically equivalent to a brand drug in dosage, strength, method of consumption, performance and intended use, and approved under an Abbreviated New Drug Application. Generic Drug includes a biosimilar product.

Market Price – the price set by a wholesaler for sale of a drug product to a pharmacy. This price may vary from one pharmacy to another and change independent of manufacturer price changes.

Multisource Drug – a brand drug or generic drug that is available from more than one manufacturer.

Negotiated Price – the price established between payers and pharmacies to be paid to pharmacies for drug products as they are dispensed.

National Drug Code – a code maintained by the federal Food and Drug Administration that is uniquely assigned by manufacturer, product, and packaging.

Rebate – a discount, chargeback, or other price concession that affects the price of a prescription drug product.

Single Source Drug – a brand drug or generic drug that is only available from one manufacturer.

Therapeutic Class – a group of drugs used for the treatment, remediation, or cure of a specific disorder or disease.

Wholesale Acquisition Cost – a manufacturer's published list price for sale of a prescription drug product with a unique NDC to a wholesale drug distributor or other entity that purchases a prescription drug directly from the manufacturer, not including any price concessions.

Pharmaceutical Supply Chain Entities

Primary entities in the pharmaceutical supply chain include:

- Manufacturers – entities that produce and/or repackage drug products for which they set the WAC value.
- Wholesale Drug Distributors – entities that distribute drug products, of which they are not the manufacturer, to non-consumer entities. Wholesalers acquire the products they distribute from manufacturers and later sell the products to pharmacies at market prices.
- Pharmacies – entities that fill consumer prescriptions using drug products acquired from wholesalers (see footnote 4).
- Pharmacy Benefit Managers (PBM) – third party administrators of prescription drug programs for payers with major duties including development and management of payer drug formularies, negotiation of contract pricing between payers and pharmacies, and negotiation of rebates from manufacturers for products administered on behalf of payers.
- Commercial Payers – Providers of health plans and insurance coverage for enrolled members. Payers establish contracted rates with pharmacies and cost sharing terms for the plans they administer.

Overview of Prescription Drug Spending in Maine

In 2023, payments for retail pharmacy claims reported to the MHDO for all prescription NDCs per the requirements in 90-590 Rule Chapter 243, *Uniform Reporting System for Health Care Claims Data Sets*, was approximately $3.0B, representing approximately 23% of all payments reported to MHDO. A breakdown of pharmacy claims by payer type is provided in the table below.

Payer Type	Total Pharmacy Claims	Total Paid Amount
Commercial	3,599,024	$856,479,945
MaineCare	2,906,151	$581,814,366
Medicare	7,551,381	$1,514,026,592
Total	**14,056,556**	**$2,961,320,903**

The top 10 most costly drug families based on MHDO data in 2023 are shown in the table below. Drug families are groups of drugs that share a unique generic drug description (non-trade name) and drug form. In total, the top 10 most costly drug families had paid amounts of $820.7M across 468,715 claims. The top 10 most utilized drug families (shown in the second table) had total paid amounts of $60.8M across 2.9M claims.

Drug Family	Therapeutic Class	Total Claims	Total Paid
Adalimumab Auto-injector Kit	Analgesics - Anti-Inflammatory	18,243	$159,795,825
Apixaban Tablet	Hematological Agents - Anticoagulants	137,916	$137,098,517
Ustekinumab Solution Prefilled Syringe	Dermatologicals	4,642	$113,985,880
Dulaglutide Solution Auto-injector	Endocrine and Metabolic Agents - Antidiabetics	75,279	$98,578,164
Empagliflozin Tablet	Endocrine and Metabolic Agents - Antidiabetics	74,129	$78,911,936
Semaglutide Solution Pen-injector	Endocrine and Metabolic Agents - Antidiabetics	51,850	$65,034,227
Lenalidomide Capsule	Miscellaneous Therapeutic Classes (Oncology Agent)	2,758	$44,853,127
Insulin Glargine Solution Pen-injector	Endocrine and Metabolic Agents - Antidiabetics	64,032	$42,363,700
Elexacaftor-Tezacaftor-Ivacaftor Tablet Therapy Pack	Antihistamines/Nasal Agents/Cough & Cold/Respiratory/Misc (Cystic Fibrosis Agent)	1,583	$40,604,686
Rivaroxaban Tablet	Hematological Agents - Anticoagulants	38,283	$39,481,401

The top 10 most utilized drug families based on MHDO data in 2023 are shown in the table below.

Drug Family	Therapeutic Class	Total Claims	Total Paid
Atorvastatin Calcium Tablet	Cardiovascular Agents - Antihyperlipidemics	481,121	$9,867,594
Levothyroxine Sodium Tablet	Endocrine and Metabolic Agents - Thyroid Agents	382,495	$8,449,600
Lisinopril Tablet	Cardiovascular Agents - Antihypertensives	370,473	$3,548,068
Albuterol Sulfate Aerosol Solution	Antihistamines/Nasal Agents/Cough & Cold/Respiratory/Misc - Antiasthmatic And Bronchodilator Agents	288,808	$13,891,634
Amlodipine Besylate Tablet	Cardiovascular Agents - Calcium Channel Blockers (Anihypertensive)	260,776	$2,612,477
Sertraline HCl Tablet	Central Nervous System Agents - Antidepressants	260,144	$4,205,561
Omeprazole Capsule Delayed Release	Gastrointestinal Agents - Ulcer Drugs/Antispasmodics/Anticholinergics	253,975	$4,545,883
Losartan Potassium Tablet	Cardiovascular Agents - Antihypertensives	217,895	$3,464,777
Gabapentin Capsule	Neuromuscular Agents - Anticonvulsants	209,009	$4,818,768
Metoprolol Succinate Tablet Extended Release 24 Hour	Cardiovascular Agents - Beta Blockers	208,618	$5,430,556

The top 10 drug families with the highest year over year paid amount increase in 2023 based on MHDO data are shown in the table below.

Drug Family	Therapeutic Class	Total Claims	Total Paid
Semaglutide Solution Pen-injector	Endocrine and Metabolic Agents - Antidiabetics	29,835	$35,695,390
Empagliflozin Tablet	Endocrine and Metabolic Agents - Antidiabetics	17,796	$21,395,329
Apixaban Tablet	Hematological Agents - Anticoagulants	10,380	$19,321,831
Dulaglutide Solution Auto-injector	Endocrine and Metabolic Agents - Antidiabetics	12,121	$15,753,308
Ustekinumab Solution Prefilled Syringe	Dermatologicals	374	$15,122,864
Tirzepatide Solution Auto-injector	Endocrine and Metabolic Agents - Antidiabetics	12,503	$15,115,667
Dupilumab Solution Pen-injector	Dermatologicals	2,700	$12,209,913
Risankizumab-rzaa Solution Auto-injector	Dermatologicals	480	$10,463,586
Semaglutide (Weight Management) Solution Auto-injector	ADHD/Anti-Narcolepsy/Anti-Obesity/Anorexiants	6,296	$8,878,799
Acalabrutinib Maleate Tablet	Antineoplastics And Adjunctive Therapies	553	$8,020,286

Trends in the Cost of Prescription Drugs

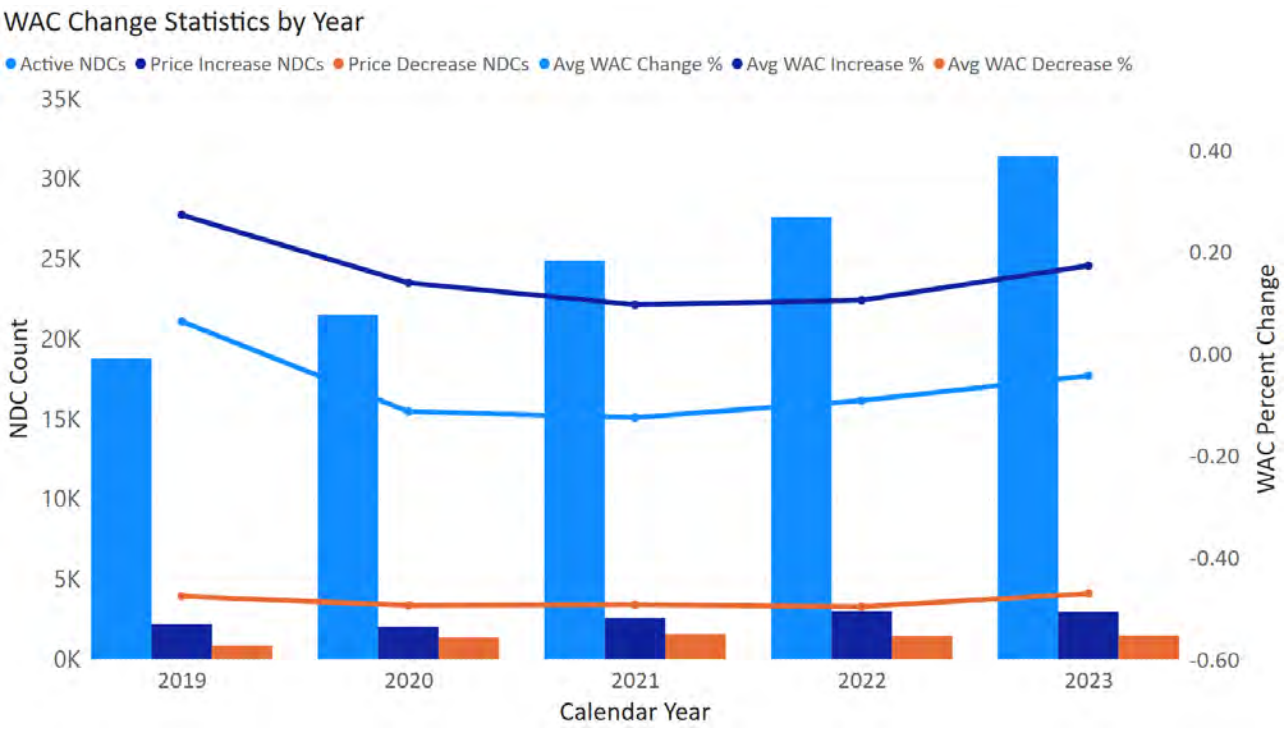
MHDO used publicly available prescription drug pricing data to analyze changes in the wholesale acquisition costs of drug products set by pharmaceutical manufacturers over the previous five years for all drug products with at least one claim reported in the MHDO's data during 2023 (active NDCs – see footnote 5).

The analysis shows that during the five-year period:

- In 2023, 85.87% of NDCs (active) had no change in the wholesale acquisition cost (WAC).
- The percentage of drugs that incur WAC increases has decreased overall from 11.68% of active NDCs in 2019 to 9.39% in 2023.
- The 2023 average percent of WAC increase of 17.23% remains above the consumer price index (CPI-U) for 2023 of 3.4% and is significantly higher (6.76%) than the 2022 average rate of increase.
- Of 2,950 drugs with price increases in 2023, 48.05% were single source brand products, 30.87% were multi-source brand products, and 21.08% were generic products.
- In 2023, measures of the percentage of brand and generic drugs with WAC decreases (4.75%) and the average percent of decrease (-47.12%) were lower than during the prior four-year period.
- Of 1,492 drugs with price decreases in 2023, 1.94% were single source brand products, 3.22% were multi-source brand products, and 94.84% were generic products.

See the table and chart below.

		All Changes			WAC Increases			WAC Decreases		
Time Frame	Number of Active Drugs (NDCs)	Number of Drugs with Changes in WAC	Percent of Drugs with Changes in WAC	Average WAC Percent Change	Number of Drugs with Increases in WAC	Percent of Drugs with Increases in WAC	Average WAC Percent Increase	Number of Drugs with Decreases in WAC	Percent of Drugs with Decreases in WAC	Average WAC Percent Decrease
2019	18,777	3,042	16.20%	6.32%	2,193	11.68%	27.20%	849	4.52%	-47.64%
2020	21,493	3,389	15.77%	-11.40%	2,036	9.47%	13.87%	1,353	6.30%	-49.43%
2021	24,896	4,147	16.66%	-12.56%	2,589	10.40%	9.56%	1,558	6.26%	-49.32%
2022	27,629	4,461	16.15%	-9.24%	2,999	10.85%	10.47%	1,462	5.29%	-49.66%
2023	31,433	4,442	14.13%	-4.39%	2,950	9.39%	17.23%	1,492	4.75%	-47.12%



Of 44,803 active brand and generic prescription NDCs in the pharmaceutical market, Mainers filled prescriptions for 31,433 drugs in 2023. Less than 1% of these drugs (56 drugs total – 45 brand drugs, and 11 generic drugs with a beginning wholesale acquisition cost of $10 per pricing unit) had increases in the wholesale acquisition costs in 2023 of more than 20%.

Brand and Generic Drug Cost Differentiation for Multisource Drug Products

MHDO used the pricing component data submitted by manufacturers, wholesale distributors and pharmacy benefit managers (referred to as reporting entities) per the reporting requirements in 90-590 Chapter 570, *Uniform Reporting System for Prescription Drug Price Data Sets*, to evaluate the difference in the Wholesale acquisition cost between brand and generic drugs for products where brand and generic equivalents were available during the year (multisource drug products).

> Of 47 multisource drugs (a brand drug or generic drug that is available from more than one manufacturer) reviewed, each had generic versions priced lower than their brand equivalents before and after application of changes in the wholesale acquisition costs. On average wholesale acquisition costs for generic drugs in this sample were 63.73% less than the brand name drugs.

Brand to Generic Drug Utilization in Maine

In CY 2023 the MHDO pharmacy claims data shows that 5.86% of pharmacy claims where for brand drug products when generic drugs were alternatively available.

Payments for brand name drugs reported in the MHDO pharmacy claims data made up 40.14% of total payments (includes both payer and consumer payments) for multisource drug products (see footnote 6).

A comparison of year-over-year brand to generic drug utilization statistics is provided in the table below.

Description	Time Frame				
	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023
Brand Drug Utilization as Percent of Total Claims	5.42%	5.93%	5.25%	4.81%	5.86%
Brand Cost as Percent of Total Pharmacy Claims Payments	32.53%	34.36%	33.82%	37.11%	40.14%
Percent of Pharmacy Claims for Brand Drug Products where Claims Indicate Dispensed as Written	27.07%	26.46%	23.98%	23.68%	21.71%

Analysis of the Impact of Manufacturer Price Changes on Payer Paid Amounts

Consistent with previous reports, MHDO analyzed the pharmaceutical claims data submitted to MHDO per the requirements of 90-590 Chapter 243, *Uniform Reporting System for Health Care Claims Data Sets*, to evaluate the impact of both increases and decreases in the wholesale acquisition costs on actual amounts paid by payers during the reporting period.

This Analysis was limited to 2,065 drugs (specifically NDCs) that incurred a change in the WAC (both increases and decreases in the WAC) during 2023 and for which at least 10 claims were incurred both before and after the changes in the WAC.

- Where WAC prices increased (on average 7.65%), the average amount paid by payers increased 5.67% after WAC increases took place.
- Where WAC prices decreased, the relative percent of decrease in amounts paid by payers was significantly lower, with WAC prices decreasing 47.15% and average amounts paid only decreasing 11.56%. See table below.

Total Drugs Reviewed (NDCs)	2022 WAC Increases			2022 WAC Decreases		
	NDC Count	Average WAC Percent Change	Average Payer Paid Percent Change	NDC Count	Average WAC Percent Change	Average Payer Paid Percent Change
2,065	1,312	7.65%	5.67%	753	-47.15%	-11.56%

WAC Change Impact on Payer Paid Amounts

Average Wholesale Price (AWP) & the Relationship to Payer Paid Amounts

Commercial and Medicare payers (insurance companies) engage a pharmacy benefits manager (PBM) to negotiate payment rates between the payer and the pharmacies for the drugs that the pharmacies dispense.

Negotiated payment rates are typically derived as a percentage-based discount from the average wholesale price (AWP) plus a fixed price dispensing fee. Manufacturers may provide publishers of AWP with a suggested AWP value or specify a markup value to be applied to WAC. Where manufacturers do not provide AWP guidance, the value is typically set as a 20% markup over WAC.

MHDO organized the NDCs analyzed above into brand and generic items and categorized them by source type (single source vs. multisource) to evaluate differences in pricing behaviors and methods across categories.

AWP values were also incorporated for comparison to WAC and claims paid values. Statistical outcomes of the analysis are provided in the table below. Key findings are summarized in the bullets below the table.

Change Type / Source Type	Brand / Generic	NDC Count	Average WAC Change Percent	Average AWP Change Percent	Average AWP Percent of WAC After Change	Average AWP Percent of WAC Change Percent	Average Values Based on Prescription Claims Data in MHDO APCD				
							Paid Amount Change Percent	Paid Amount as Percent of WAC After Change	Paid Amount as Percent of WAC Change Percent	Paid Amount as Percent of AWP After Change	Paid Amount as Percent of AWP Change Percent
Price Increases											
Single Source	Brand	641	5.73%	5.72%	120.00%	-0.01%	5.37%	98.94%	-0.32%	82.45%	-0.26%
	Generic	34	12.34%	12.33%	120.28%	0.00%	8.98%	99.63%	-3.07%	82.83%	-2.57%
Multisource	Brand	527	6.67%	6.19%	120.05%	-0.37%	5.56%	105.29%	1.65%	87.71%	1.55%
	Generic	110	22.07%	17.57%	218.63%	-33.70%	6.78%	94.23%	-11.10%	57.38%	-4.36%
Price Decreases											
Single Source	Brand	1	-31.73%	-31.95%	118.79%	-0.38%	-21.56%	161.62%	20.96%	136.05%	18.03%
	Generic	4	-49.36%	0.00%	1,789.17%	916.47%	-3.44%	119.42%	53.90%	6.41%	-0.64%
Multisource	Brand	19	-45.38%	-45.39%	119.80%	-0.01%	-42.29%	115.61%	11.12%	96.50%	9.28%
	Generic	729	-47.21%	-3.48%	2,165.16%	1,222.22%	-10.79%	277.97%	130.20%	28.34%	-2.65%

NDCs with at least 10 Claims Incurred Before and After 2023 WAC Changes

Key findings based on MHDO's sample of prescription drugs with manufacturer price changes

- Brand drugs
    - Most drug products with WAC increases in 2023 were brand drugs (89.02% of NDCs in the sample).
    - Amounts paid by payers after the application of WAC increases for brand drugs rose at a slightly lower rate than the rate of WAC increase
    - AWP for brand drugs increased at nearly the same rate as WAC increased and had an average markup from WAC between 20.00% and 20.05% after price increases.
    - PBMs receive rebates for brand drugs from manufacturers that further offset costs to payers and may result in net payments below WAC. Data submitted to MHDO by PBMs for a subset of 108 brand NDCs dispensed in Maine during 2023 indicated average rebate amounts of 17.16% of WAC.
- Generic drugs
    - Multisource generic drugs (generic drugs that are available from more than one manufacturer) made up 96.81% of all NDCs with WAC decreases and had an average percent decrease of 47.21%.
        - However, the average amount paid by payers for multisource generic drugs after WAC decreases fell by only 10.79%.
        - When represented as a percentage of WAC, payer paid amounts for multisource generic drugs with WAC decreases increased by 130.20% with average payer paid amounts reflecting 277.97% of WAC after WAC decreases.
    - A majority of multisource generic drugs with WAC decreases had no corresponding AWP decrease.
    - **AWP for multisource generic drugs had an average markup from WAC of 2,165.16% after WAC decreases.**
    - Unlike brand drugs, PBMs generally do not receive rebates from generic manufacturers. Data submitted to MHDO by PBMs for a subset of 396 multisource generic NDCs dispensed in Maine during 2023 indicated average rebate amounts of less than 1%.

AWP and Generic Drugs

MHDO reviewed AWP price history for the generic drugs reviewed and found that AWP values were often set by manufacturers as a discount from the WAC or AWP value of the equivalent brand drug as it existed at the time the first generic product was introduced to market. For generic drugs, AWP often does not change as the value of WAC changes over time. As a result, while WAC prices differ between generic manufacturers, AWP prices show very little variation and are often the same across manufacturers. This pricing practice differs from brand drug pricing where manufacturers typically do not provide AWP guidance resulting in a default AWP value of 120% of WAC.

Pharmacies are able to reduce the cost of drug inventory by acquiring generic products from manufacturers with the lowest WAC. However, payers do not receive a corollary benefit from lower WAC prices when AWP, the basis for pharmacy reimbursement, remains static across generic manufacturers. Instead, the reductions the manufacturers make in WAC result in a higher margin to the pharmacy – in some instances a pharmacy receives greater income for a product than the product's manufacturer.

Analysis of the Impact of Contracted Rates on Payer Paid Amounts

The MHDO analyzed payment amounts for all commercial and Medicare retail pharmacy claims for prescription fills during 2023 (see footnotes 7 & 8). Where available, MHDO incorporated National Average Drug Acquisition Cost (NADAC) values published by CMS as the assumed amount paid by pharmacies to acquire drug products that were dispensed. Where NADAC values were not available, the MHDO instead imputed WAC minus two percent (see footnote 9). NADAC and WAC values were applied to each claim on a per dispensed unit basis with acquisition cost values as of the date of the prescription fill.

In 2023, 79.95% of prescription fills for generic drugs and 21.80% of prescription fills for brand drugs (72.86% overall) had payment amounts that were more than 15% above the amount that pharmacies paid to acquire the drug dispensed.

- Mainers paid a total of $638.0M before dispensing fees for these claims.
- The aggregate difference between the total pharmacy acquisition cost and the total claims paid amount for these claims was $285.1M, representing 12.04% of the overall ingredient cost paid across all commercial and Medicare claims in the state.
- In other words, of the total $638.0M paid for the ingredient cost of these claims, $352.9M went to drug manufacturers and $285.1M was earned by intermediaries such as wholesalers, PBMs, and pharmacies.

Conversely, pharmacies were paid less than acquisition costs for 11.89% of prescription fills for generic drugs and 14.40% of prescription fills for brand drugs (12.19% overall) during 2023. The total amount by which pharmacies were paid less for drugs dispensed than the cost to acquire the drug was $44.0M for claims reimbursed under commercial and Medicare plans (see footnote 7).

- In 2023, **67.78% of commercial claims and 75.28% of Medicare** (see footnote 1) **claims had payment amounts that were more than 15% above the amount that pharmacies paid to acquire the drug dispensed**, before dispensing fees.
    - Mainers paid a total of $638.0M before dispensing fees for these claims.
    - The aggregate difference between the total pharmacy acquisition cost and the total claims paid amount for these claims was $285.1M, representing 12.04% of the overall ingredient cost paid across all commercial and Medicare claims in the state.
    - In other words, of the total $638.0M paid for the ingredient cost of these claims, $352.9M went to drug manufacturers and $285.1M was earned by intermediaries such as wholesalers, PBMs, and pharmacies.

This analysis shows there are opportunities for cost reductions in Maine if the payment for prescription drugs aligned with actual drug acquisition costs while paying pharmacies at least the amount it cost to acquire the drug.

For example, if payment amounts for the claims analyzed above (small sample) were limited to 115% of a pharmacy's actual acquisition cost (before dispensing fees), payments for prescription drugs in Maine would have been $232.2M less (9.81%) in 2023 without any reduction in WAC.

Manufacturer Prescription Drug Rebates

Prescription drug rebates accrue as drug products are purchased and dispensed between manufacturers, wholesale distributors, pharmacy benefits managers and payers over time and may represent a fixed amount per unit or a percentage of an agreed upon price point such as WAC.

> MHDO reviewed 507 unique brand and generic drugs (specifically NDCs) for which pricing component data was submitted to MHDO per the requirements of 90-590 Chapter 570, *Uniform Reporting System for Prescription Drug Price Data Sets*, and commercial claims data was submitted to MHDO by payers per the requirements of 90-590 Chapter 243, *Uniform Reporting System for Health Care Claims Data Sets,* for the time period 2023.

A summary of the average manufacturer rebates reported to MHDO for 2023 is provided in the table below (see footnote 8).

Source Group	Brand / Generic	NDC Count	Average Manufacturer Rebates (Percent of WAC)		
			Wholesale Rebate	PBM Rebate	Total Rebate
Single Source	Brand	33	0.34%	15.21%	15.56%
	Generic	3	7.00%	23.99%	31.00%
Multisource	Brand	75	4.86%	18.01%	22.88%
	Generic	396	17.61%	0.17%	17.79%

Overall, for the subset of 507 NDCs reviewed by MHDO, the average amount paid by insurance companies and consumers after rebates was 76.15% of the average WAC amount for a given brand drug and 400.95% for a given generic drug.

Major Components of Prescription Drug Pricing along the Pharmaceutical Supply Chain

Primary entities in the pharmaceutical supply chain include:

- Manufacturers – entities that produce and/or repackage drug products for which they set the WAC value.
- Wholesale Drug Distributors – entities that distribute drug products, of which they are not the manufacturer, to non-consumer entities. Wholesalers acquire the products they distribute from manufacturers and later sell the products to pharmacies at market prices.
- Pharmacies – entities that fill consumer prescriptions using drug products acquired from wholesalers (see footnote 4).
- Pharmacy Benefit Managers (PBM) – third party administrators of prescription drug programs for payers with major duties including development and management of payer drug formularies, negotiation of contract pricing between payers and pharmacies, and negotiation of rebates from manufacturers for products administered on behalf of payers.
- Commercial Payers – Providers of health plans and insurance coverage for enrolled members. Payers establish contracted rates with pharmacies and cost sharing terms for the plans they administer.

The pharmaceutical supply chain is complex with steps that include physical product acquisition as well as transactional elements triggered by contractual agreements between participants. A summary of the major supply chain components are described below:

Wholesaler Acquisition - First step in the Supply Chain

A wholesaler's acquisition of drug products from manufacturers is the first step in the supply chain. Typically, wholesalers purchase drug products at the WAC and store them in distribution centers until the products are later purchased by pharmacies. Contracts between manufacturers and wholesalers may provide for accrual of rebates to be paid to the wholesaler when the wholesaler later sells the product to a pharmacy. MHDO used pricing component data provided by wholesalers for calendar year 2023 as defined in 90-590 Chapter 570, *Uniform Reporting System for Prescription Drug Price Data Sets,* to calculate the percent of acquisition costs that are rebated from manufacturers to wholesalers on a per unit basis. Rebate percentage values are calculated at the drug (NDC) level for each wholesaler as the total rebate receivable amount divided by the total number of units sold (the total rebate receivable per unit) divided by the wholesaler's average acquisition amount per unit for the NDC. On average wholesalers received rebate amounts of 3.50% for brand drugs and 17.62% for generic drugs (14.62% overall) when applied against acquisition cost on a per unit basis.

Acquisition of drug products by wholesalers is typically the last point in the pharmaceutical supply chain where WAC is used as the price point of a transaction. From this point forward, WAC is instead used as a basis from which price values (AWP, manufacturer rebates, etc.) are derived through the application of mark ups and/or discounts from the value of WAC.

Pharmacy Acquisition of Drug Products

The next step in the pharmaceutical supply chain is a pharmacy's purchase of drug products from a wholesale distributor (wholesalers). Typically, wholesalers sell drug products to pharmacies at or below then current WAC values. Analysis of MHDO's pricing component data shows that annual revenues generated by wholesalers from sales to pharmacies were less than amounts spent by wholesalers to acquire the products from manufacturers by 20.39% for brand NDCs and 50.36% for generic NDCs (43.98% overall). Pharmacy costs

were further reduced through rebates received from wholesalers by an average of 1.34% for brand NDCs and 7.24% for generic NDCs (5.98% overall).

Wholesalers generally sell drugs to pharmacies for less than the amount they spend to purchase the drugs from manufacturers. This cost reduction develops through several factors:

- Rebates received by wholesalers from manufacturers are largely passed through to pharmacies as price reductions.
- Revenues from sales to 340B covered entities are discounted heavily from the acquisition costs originally paid to manufacturers by wholesalers. These transactions result in higher chargeback values (reported as rebates receivable) to recover the 340B discount from the manufacturer.
- Wholesalers purchase large quantities of products that remain in inventory long enough that they gain value through subsequent WAC increases by manufacturers. This method of inflation-based compensation allows wholesalers to sell products to pharmacies at a price point that is above what was initially paid to acquire the product but below a then increased WAC price.
- Wholesalers generate operational income that is not directly derived from specific drug products. Examples include distribution fees, rebates not attributable to specific NDCs (e.g. manufacturer volume rebates), and other miscellaneous fees (e.g. stocking allowances, service level considerations) paid to wholesalers by manufacturers**.** These additional income components (not reported to MHDO) enable wholesalers to offer product pricing to pharmacies below WAC while generating positive margin overall.

Purchasing a Prescription Drug Under a Commercial Insurance Plan – Consumers, Payers and PBMs

The final components of the supply chain are initiated when a consumer submits a prescription at a pharmacy.

Consumer Payment

When an insured consumer submits a prescription, the pharmacy submits a claim for reimbursement to the Pharmacy Benefits Manager (PBM) contracted with the insured's commercial payer. The PBM then adjudicates the claim to determine the amount of reimbursement to which the pharmacy is entitled based on its contracted rate with the payer. In addition, the PBM notifies the pharmacy of the share of reimbursement that should be collected from the insured at the time the prescription is filled.

Payer Payment

Commercial payers engage PBMs to negotiate rates with pharmacies for the drugs the pharmacies dispense. As prescriptions are filled, PBMs charge payers their contracted rate less the consumer payment amount and facilitate payment to the pharmacy.

Rates negotiated between pharmacies and payers are typically derived as a percentage-based discount from Average Wholesale Price (AWP) plus a fixed price dispensing fee. Pharmaceutical Manufacturers may provide publishers of AWP with a recommended AWP value or specify a markup value to be applied to WAC. Where manufacturers do not provide AWP guidance, the value is typically set as a 20% markup over WAC (see footnote 2). The amount that a pharmacy is reimbursed by a payer (including consumer cost share) above the cost the pharmacy paid to procure the drug product can vary greatly from one NDC to another depending on the amount that AWP is marked up from WAC.

Another variable in prescription drug pricing is the method by which PBMs are paid for the services they provide. In some instances, the PBM charges the payer a contracted price for prescription drugs, and the contracted price for the prescription drugs differs from the amount the PBM pays the pharmacy – this arrangement is referred to as spread pricing. Payers, manufacturers, and pharmacies may also pay PBMs administrative fees for their services.

Analysis of MHDO's pricing component data provided by PBMs shows that, on average, PBMs retained payments from payers in the form of spread and/or administrative fees at a rate of 9.49% above what PBMs reimbursed to pharmacies for brand NDCs and 33.70% for generic NDCs (28.54% overall).

As reported in the MHDO's commercial claims data for the subset of 507 NDCs reviewed, and after consideration for spread pricing and/or administrative fees paid to PBMs, amounts paid by payers and consumers to pharmacies were higher than amounts paid by pharmacies to wholesalers by an average margin of 24.10% for brand NDCs and 616.33% for generic NDCs (490.17% overall). It should be noted that average margins for brand drugs are likely influenced by the impact of 340B transactions whereby wholesaler reported pharmacy acquisition costs are significantly lower than WAC while amounts paid by payers and consumers are paid at market rates. This phenomenon is less prevalent in the generic space where the difference between a manufacturer's 340B price and WAC is less significant.

Manufacturer Rebate Payment to PBMs

In addition to negotiating pharmacy reimbursement rates, PBMs develop and maintain drug formularies used by payers to determine the level of cost sharing for specific drugs between a payer and its members. Drugs on a formulary are divided into tiers with different cost share ratios. Drugs on less preferable tiers result in higher out of pocket costs for members. To achieve placement on preferred formulary tiers, manufacturers negotiate rebates, based on a percentage of WAC, that are payable to PBMs as drug products are dispensed. PBMs then pass through some or all of the rebates to payers, reducing the net amount paid by the payer for the specific drug product. The difference between the rebate amount received and the rebate amount passed through is retained by the PBM as revenue.

Pricing component data reported to MHDO by PBMs shows that, on average, PBMs received rebates from manufacturers representing 17.16% of the average WAC amount (see footnote 8) for brand NDCs and 3.58% for generic NDCs (3.94% overall). While the percentage of rebates reported as passed through to payers varied significantly at an NDC level, when measured in the aggregate, 89.51% of the total amount of rebates reported by PBMs was passed through to commercial payers.

Case Study - Misalignment of Drug Costs to Amounts Paid by Payers and Consumers

Zytiga (Abiraterone Acetate) 250 Mg 120 Count Tablets – a typical 30-day supply used for Prostate Cancer that has spread.

The MHDO continued its analysis of brand and generic WAC and AWP manufacturer pricing against amounts paid by payers and consumers for multisource drug product Zytiga (Abiraterone Acetate) 250 Mg 120 Count Tablets – the case study now represents five years of manufacturer pricing and related claims payment amounts. Zytiga is used to treat men with prostate cancer that has spread to other parts of the body. Pharmacy claims reported to MHDO for the drug totaled $32.3M during the five-year period (2019-2023). This drug has been in the Top 25 most costly generic list for the last 5 years and currently represents five of the Top 25 NDCs.

Background Information:

- Manufacturers specify the wholesale acquisition cost (WAC) for the drugs they produce.
- Wholesalers typically pay manufacturers the WAC price to acquire the drugs and later sell the drugs to pharmacies at market prices (often less than WAC).
- Manufacturers may provide publishers of prescription drug pricing with a suggested average wholesale price (AWP) value. Where manufacturers do not provide AWP guidance, the value is typically set as WAC + 20% by data publishers (see footnote 2).
- Manufacturers do not receive revenue based on the AWP; instead AWP values represent the price that the manufacturer suggests that wholesalers charge when selling the manufacturer's drug to the wholesaler's customers. In practice, wholesalers sell most drugs to pharmacies at or below the value of WAC.
- PBMs negotiate contracted rates between pharmacies and payers for the drugs the pharmacies dispense. Contracted rates are typically derived as a percentage-based discount from AWP plus a fixed price dispensing fee. As a result, when AWP values are set at substantially higher values than WAC, payers may pay significantly more to the pharmacy than the cost from the manufacturer.
- The brand Zytiga 250 Mg 120 count product was introduced to market in 2011 by Janssen Biotech with a WAC value of $5,000.00 and an AWP value that was 120% of the WAC value, $6,000.00 for a 30-day supply.
- Abiraterone Acetate (generic for Zytiga) launched generically in November 2018 with WAC prices for a 30-day course of therapy that ranged between $3,499.40 and $8,840.58. By this time WAC for the brand product had increased to $10,232.16.
- The AWP values for the first generic products were specified at either $11,050.73 or $11,664.66, exactly 90% and 95% respectively of the November 2018 AWP value for the brand product of $12,278.59.
- Between January 2019 and June 2020, additional manufacturers introduced generic products to market with the same or similar AWP values.
- AWP values set by generic manufacturers on the day their products entered the market have not been reduced even as WAC values have decreased.

See the table below which details the values of WAC, AWP, and Average Payment Amounts for a 30-day course of therapy of Abiraterone Acetate 250 Mg tablets for each manufacturer price period.

	Manufacturer	NDC	Price Period		WAC	AWP	Average Payer / Consumer Paid Amount
			Effective Date	End Date			
Brand	JANSSEN BIOTECH	57894015012	5/2/2011	12/27/2011	$5,000.00	$6,000.00	Not Reviewed
			12/28/2011	6/4/2012	$5,495.00	$6,594.00	
			6/5/2012	3/4/2013	$5,819.21	$6,983.05	
			3/5/2013	10/14/2013	$6,395.31	$7,674.37	
			10/15/2013	8/5/2014	$6,836.59	$8,203.91	
			8/6/2014	5/5/2015	$7,376.68	$8,852.02	
			5/6/2015	3/2/2016	$7,996.32	$9,595.58	
			3/3/2016	2/8/2017	$8,628.03	$10,353.64	
			2/9/2017	1/2/2018	$9,395.88	$11,275.06	
			1/3/2018	1/9/2019	$10,232.16	$12,278.59	$9,145.35
			1/10/2019	12/31/2023	$10,887.02	$13,064.42	$10,833.06
Generic	AMNEAL PHARMACEUTICALS	69238116507	1/8/2019	12/8/2019	$3,499.40	$11,664.66	$5,893.15
			12/9/2019	7/16/2020	$800.00	$11,664.66	$4,886.85
			7/17/2020	12/31/2023	$475.00	$11,664.66	$3,385.16
			6/19/2023	12/31/2023	$475.00	$11,664.66	No Claims
	APOTEX	60505432701	**11/23/2018**	11/26/2019	$4,972.77	$11,050.61	$6,121.13
			11/27/2019	2/11/2020	$2,625.00	$11,050.61	$4,402.72
			2/12/2020	4/6/2022	$2,000.00	$11,050.61	$3,791.16
			4/7/2022	12/31/2023	$1,000.00	$11,050.61	$3,553.71
	AVKARE	42291002412	1/15/2019	12/6/2019	$3,316.84	$11,664.66	No Claims
			12/7/2019	3/23/2023	$431.30	$11,664.66	$6,469.42
			3/24/2023	11/29/2023	$247.72	$11,664.66	No Claims
			11/30/2023	12/31/2023	$358.05	$11,664.66	
	BLUE POINT LABORATORIES	68001048907	4/5/2021	6/10/2021	$225.00	$281.25	No Claims
			6/11/2021	12/31/2023	$225.00	$11,649.00	$7,148.42
	CELLTRION USA	72606056601	2/7/2020	1/17/2022	$425.00	$510.00	$371.27
			1/18/2022	12/31/2023	$425.00	$11,532.51	$3,861.46
	CIVICASCRIPT	82249001012	7/27/2022	12/31/2023	$160.00	$192.00	$204.00
	DR.REDDY'S LABORATORIES, INC.	43598035804	6/11/2020	12/31/2023	$425.00	$11,664.70	$5,606.64
	FLORIDA PHARMACEUTICAL PRODUCT	71921017820	9/22/2022	12/31/2023	$225.00	$11,026.18	$2,435.32
	GLENMARK PHARMACEUTICALS	68462013508	10/22/2021	12/31/2023	$225.00	$11,649.00	$3,411.14
	HIKMA PHARMACEUTICALS USA	00143959721	**11/21/2018**	12/31/2018	$8,840.58	$11,050.73	No Claims
			1/1/2019	12/17/2019	$3,499.40	$11,050.73	
			12/18/2019	12/31/2023	$600.00	$11,050.73	$6,891.90
	MYLAN	00378692078	**11/21/2018**	1/2/2020	$4,665.86	$11,664.66	$6,827.53
			1/3/2020	12/31/2023	$1,700.00	$11,664.66	$5,593.75
	NORTHSTAR RX	16714096301	9/7/2020	12/31/2023	$336.92	$11,223.27	$2,403.16
		72603011001	4/6/2022	12/31/2023	$225.00	$11,223.27	$4,263.16

	NOVADOZ PHARMACEUTICALS	72205003092	8/7/2019	2/16/2020	$1,505.00	$11,649.00	$3,621.09
			2/17/2020	6/9/2020	$600.00	$11,649.00	$3,890.28
			6/10/2020	12/31/2023	$225.00	$11,649.00	$3,728.35
	NOVUGEN PHARMA USA	82293000110	8/8/2022	12/31/2023	$225.00	$11,649.00	$243.09
	PATRIOT PHARMACEUTICALS LLC	57894015512	11/26/2018	12/31/2023	$9,188.48	$11,026.18	$5,774.58
	RISING PHARMACEUTICALS	64980041812	11/1/2019	3/23/2021	$600.00	$11,664.66	$3,850.40
			3/24/2021	12/31/2023	$260.00	$11,664.66	$4,246.82
	TEVA PHARMACEUTICALS USA	00093112589	**11/21/2018**	12/31/2023	$3,499.40	$11,664.66	$7,771.34
	WOCKHARDT USA	64679002101	4/9/2019	7/26/2021	$1,500.00	$11,664.66	$4,893.75
			7/27/2021	12/31/2023	$225.00	$11,664.66	$6,199.81

Zytiga (Abiraterone Acetate) 250 Mg 120 Count Tablet – WAC, AWP, and Average Payer and Consumer Paid Amount by Price Period

Zytiga 250 Mg 120 Count Tablets – WAC & AWP Correlation to Payer Paid Amounts

During the five-year period for which MHDO prescription claims were reviewed (2019-2023):

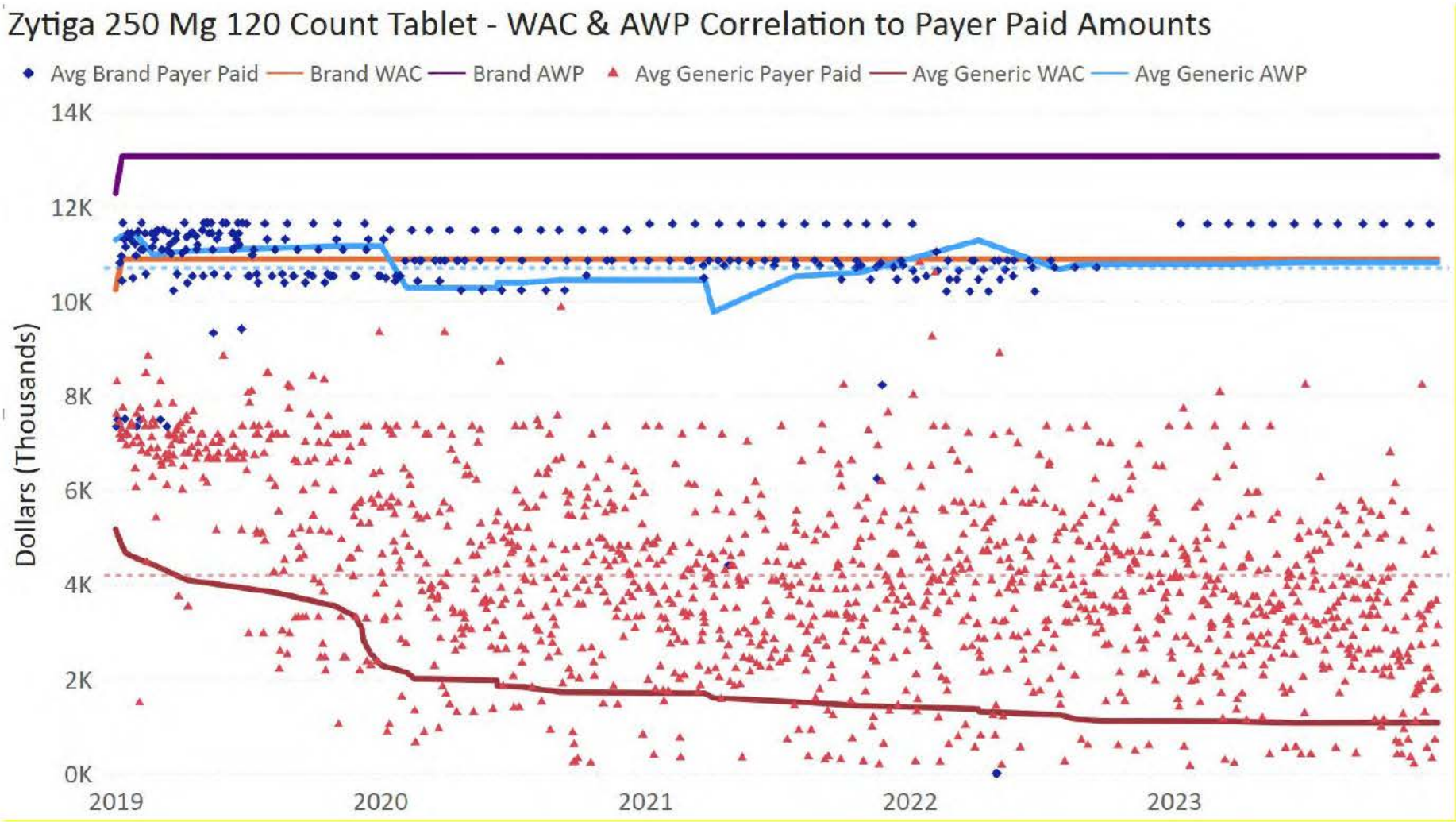
- The average WAC for generic products fell from $5,165.18 to $1,074.55 resulting from new entrants to market with lower WAC values and manufacturer WAC price decreases over time.
    - While the average AWP for these generic products also decreased from $11,291.37 to $10,815.19, even with the decreases the average AWP on average is 1,006.49% higher than the average WAC. This reduction was only attributed to new entrants to the market; no manufacturers applied price decreases for AWP.
- The average amount paid by payers for brand Zytiga (before rebates) was $10,697.88 and was closely correlated to the brand WAC amount during the five-year period which was $10,887.02. The average amount paid per claim as a percentage of WAC was 98.40%.
- The average amount paid by payers for generic Zytiga products was $4,185.78. The average amount paid per claim as a percentage of WAC was 894.43%.

Low Cost Generic Alternative

In July 2022, the manufacturer Civicascript introduced its generic Zytiga product to market with a WAC price of $160.00 and did not specify an AWP price. Instead, Civicascript published a Maximum Retail Price (MaxRP) policy that specified a maximum recommended price for participating pharmacies – the initial MaxRP price was set at $171.00. Between July 2022 and December 2023, payers paid an average of $204.00 for a 30-day course of therapy for the Civicascript product. **While Civicascript represented the lowest cost alternative in the market for both pharmacies and payers, Civicascript has realized less than 1% of the market share in Maine since the product launched. At the same time, generic Zytiga consistently represents one of the top 25 most costly generic products across payers in Maine with five NDCs represented on the current report.**

In February 2024, Civicascript further reduced the WAC for their product to $120.00 and specified a MaxRP policy value of $141.00 to be paid by payers and consumers. Additional information about Civicascript's approach and price differentiation can be found here.

A visual correlation of average claim paid amounts to WAC and AWP values for brand and generic products is provided in the chart below.



Zytiga (Abiraterone Acetate) 250 Mg 120 Count Tablet – WAC & AWP Correlation to Payer Paid Amounts

Data Sources and Methodology

MHDO Rule Chapter 570, Uniform Reporting System for Prescription Drug Price Data Sets

90-590, CMR Chapter 570, *Uniform Reporting System for Prescription Drug Price Data Sets,* defines the requirements for the registration of reporting entities; conditions under which MHDO must provide notice of substantial drug price changes or introductions; conditions under which the MHDO requires pricing component data from a reporting entity; the data elements contained in the various reports; proper coding, formatting, and submission of data; and submission deadlines.

As of November 1, 2024, 670 pharmaceutical manufacturers, 210 wholesale drug distributors and 35 pharmacy benefit managers have registered with the MHDO.

Public Notice of Substantial Drug Price Change or Introduction

Beginning January 30, 2022, MHDO is required to compile and publicly post on its website a list of all prescription drugs for which a manufacturer has during the prior calendar year:

1. Increased the WAC of a brand drug by more than 20% per pricing unit;
2. Increased the WAC of a generic drug that costs at least $10 per pricing unit by more than 20% per pricing unit; or
3. Introduced a new prescription drug for distribution in this State when the WAC is greater than the amount that would cause the drug to be considered a specialty drug under the Medicare Part D program.

Notifications by MHDO to Reporting Entities

Beginning February 15, 2022, and annually thereafter, MHDO must produce and post on its publicly accessible website a list of drug product families for which it intends to require reporting of pricing component data by reporting entities. In determining this list, MHDO considers the relevance of specific drug products in providing greater consumer awareness of the factors contributing to the cost of prescription drugs in the state. MHDO included 97 drug product families in the list for calendar year 2023, each having one or more NDCs that was:

- included on any one of the lists of the MHDO's top 25 Drug Reports as required in Title 22, Chapter 1683, §8712 (5) for the most costly, most utilized and/or having the highest year-over-year cost increases for Mainers during the July 1, 2022 to June 30, 2023 comparison period and filtered for commercial payers;
- a top 25 brand NDC with the highest total out of pocket cost for commercial payers (July 1, 2022 – June 30, 2023); or
- a top 25 generic NDC with the highest total out of pocket cost for commercial payers (July 1, 2022 – June 30, 2023)

MHDO Notification to Reporting Entities requesting Pricing Component Data

MHDO is responsible for identifying specific drug products of interest and notifying reporting entities that they must report pricing component data to MHDO as defined in 90-590 CMR Chapter 570*, Uniform Reporting System for Prescription Drug Price Data Sets*, for those drug products. Each drug product is identified by its NDC. Throughout the report, NDC is used to describe a manufacturer specific drug product.

MHDO requested pricing component data from reporting entities for 903 NDCs (which represents less than 1% of all NDCs) that are manufactured by 134 distinct manufacturers. Of these NDCS, 154 were brand drugs and 749 were generic drugs.

Data Validation, Consolidation and Analysis

Pricing component data files for CY 2023 were submitted by reporting entities to the MHDO Prescription Drug Price Data Portal in the summer of 2024. The subset of NDCs for which MHDO received pricing component data is used to highlight pricing, rebate, and brand to generic drug utilization statistics for drugs identified as having high impact to prescription drug costs in Maine. Pricing component data files are validated for completeness and accuracy. Where values fall outside of expected parameters, reporting entities are required to correct and resubmit reported data or provide explanations.

In addition to incorporating data submitted by reporting entities in this annual report, MHDO included descriptive drug product and historical pricing information compiled from Wolters Kluwer's Medi-Span MedFile v2 data file, and retail and mail order pharmaceutical claims data submitted to the MHDO APCD as required by 90-590 Rule Chapter 243, Uniform Reporting System for Health Care Claims Data Sets. APCD claims are limited to single line, primary payor, paid claims to eliminate duplicate line claim counts and inflated paid amounts. Prescription drug claims submitted as part of a medical claim record are excluded from this analysis. Records are further constrained to claims for drug products that by federal law, can be lawfully dispensed or administered only on prescription by a licensed health care professional. The analysis excludes claims for over-the-counter drugs, medical supplies, medical devices, and diagnostic agents.

These supplemental data sets enabled review of claim volume and costs before and during the 2023 reporting period. Additionally, portions of the report use supplemental data to expand beyond NDCs reported by reporting entities to show more general trends in the overall prescription drug marketplace.

Footnotes:

Medicare claims include Medicare Advantage and Medicare Part D claims. Prescription drug benefits for Medicare are provided through private plans that contract with the federal government.

[2] WoltersKluwer Website. AWP Policy. Accessed February 7, 2025 at https://www.wolterskluwer.com/-/media/project/wolterskluwer/oneweb/www/health/ce/files/clinical/wkh-awp-policy.pdf

[3] The pool of drugs for which pricing component data was requested is inclusive of drug families that are represented on the MHDO Dashboard of the Top 25 drugs that are the most costly, most prescribed, or which had the highest year-over-year increase in cost

[4] Pharmacies may also contract directly with manufacturers to procure drug products. In these cases, MHDO assumes pharmacy acquisition costs are more favorable than what is otherwise available from wholesalers, increasing pharmacy profitability. All other supply chain components remain the same.

[5] Active NDCs are those NDCs that are currently available in the market.

[6] Claim payments do not reflect the effect of drug rebates. 21.71% of the brand claims represented for 2023 were prescribed as Dispense As Written, indicating the medical provider determined that the branded NDC was more appropriate for the consumer and should not be filled as a generic.

[7] Analysis of claims paid below acquisition costs excludes claims where the pharmacy specified a Gross Amount Due (charge amount) that was less than average acquisition costs for the drug. These claims include payment requests for drugs dispensed under the 340B program where pharmacies are provided significant discounts by manufacturers and pass through some or all of the savings to payers.

[8] Rebate percentage values are calculated at the drug (NDC) level for each reporting entity as the total rebate receivable amount divided by the total number of whole NDC units sold by wholesalers or administered by PBMs (i.e., the total rebate receivable per NDC unit) divided by the average WAC amount for the NDC. Average WAC is calculated by summing the mathematical product(s) of the number of days during the year a drug product is priced at a unique WAC value multiplied by the unique WAC value and dividing the sum of all mathematical products by the number of days in the year. ((($a x 31 days) + ($b x 150 days) + ($c x 184 days)) / 365 days

[9] A study published by the National Institutes of Health found that the true cost of drug acquisition at pharmacies was an average 1% lower than WAC for brand drugs and 9.8% lower than WAC for generic drugs.