

Prescription Drug Affordability Board



Description

A Prescription Drug Affordability Board, based on a National Academy for State Health Policy (NASHP) model, is an independent body established by the state that evaluates drug prices and sets limits on how much certain payors, including state agencies, will pay for high-cost prescription medications.

AARP supports the development of state drug affordability review boards and believes that federal, state, and local governments should ensure that prescription drug launch prices and subsequent pricing decisions are reasonable, justified, and support improved consumer access and affordability.

How Does This Work?

Affordability Boards are based on the precedent of health care rate setting and state regulation of public utilities, wherein a group of appointed individuals sets limits on what buyers will pay for certain goods and services after reviewing relevant information. On an ongoing basis, a Board -- composed of persons with relevant expertise, without conflicts of interest, and appointed by elected officials -- would gather information about brand-name and generic drugs sold in the state. If the prices of these drugs exceed certain thresholds (e.g., a price increase of more than 10 percent or \$10,000 during any 12-month period), the Board would have the opportunity to conduct an affordability review, which would require manufacturers to justify the price increase or high launch price. This review allows for public input and advice from a Stakeholder Advisory Committee. If the Board determines, after the review, that a given drug's price is excessive, the Board has the authority to set a rate, upper limit, or spending target that some or all payors in the state would follow.

What Does This Mean for Consumers?

The benefit to consumers will be largely indirect. If the Board sets a payment limit on a drug and the limit applies to a consumer's insurance plan, that consumer could pay less for the drug, either through lower cost sharing or decreased premiums. The more drugs that the Board reviews and for which it finds it necessary to set an upper payment limit, the less taxpayer money goes toward prescription drug spending in affected programs.

Where Has This State Legislative Policy Been Enacted?



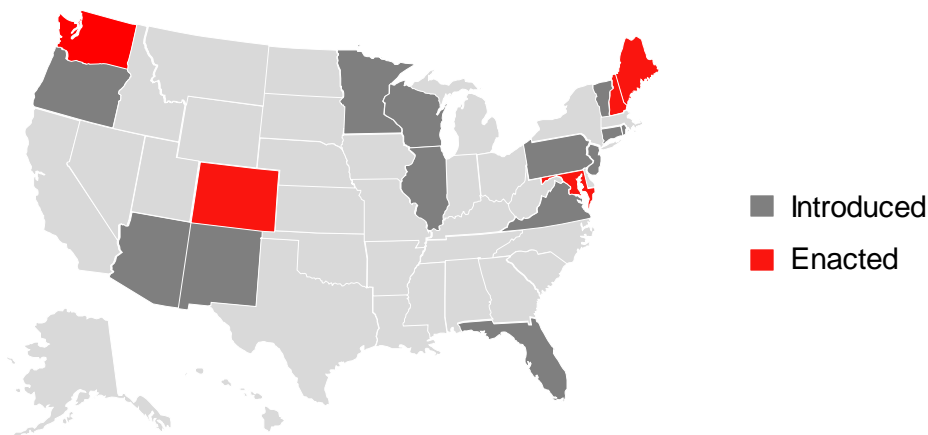
In 2019, Maryland became the first state to enact a state Prescription Drug Affordability Board (PDAB). This effort built on the state’s prior legislation to increase drug transparency and prevent price gouging (which was ultimately overturned by the 4th U.S. Circuit Court of Appeals in 2018). Under the Maryland law, the Board, along with its stakeholder advisory board, has the authority to review information from manufacturers on drugs with costs that greatly impact consumers and set an upper payment limit for these drugs that would apply to all state and local government payors.



Maine enacted an Affordability Board bill in 2019. Under the Maine law, the Board has the authority to review information from manufacturers on drugs with costs that greatly impact consumers and set spending targets for these drugs that would apply to all payors in the state. In 2020, New Hampshire enacted a similar bill that allows the Board to set a spending target. In 2021, Colorado enacted a law creating a rate setting commission based on the NASHP model bill. In 2022, Washington enacted a PDAB law that can set upper payment limits on some drugs.



Legislation to create Rx Affordability Boards that can set upper payment limits has been introduced in Arizona, Connecticut, Florida, Illinois, Minnesota, New Jersey, New Mexico, Oregon, Rhode Island, Pennsylvania, Vermont, Virginia, and Wisconsin.



Note: Several states have established Boards that may review drug prices and recommend actions to lower prices but do NOT have the authority to establish an upper payment limit or spending target.