THE WHOLESALE PRESCRIPTION DRUG IMPORTATION ACT (SB1):

Progress Report

IPPC Plenary Meeting

June 11, 2020

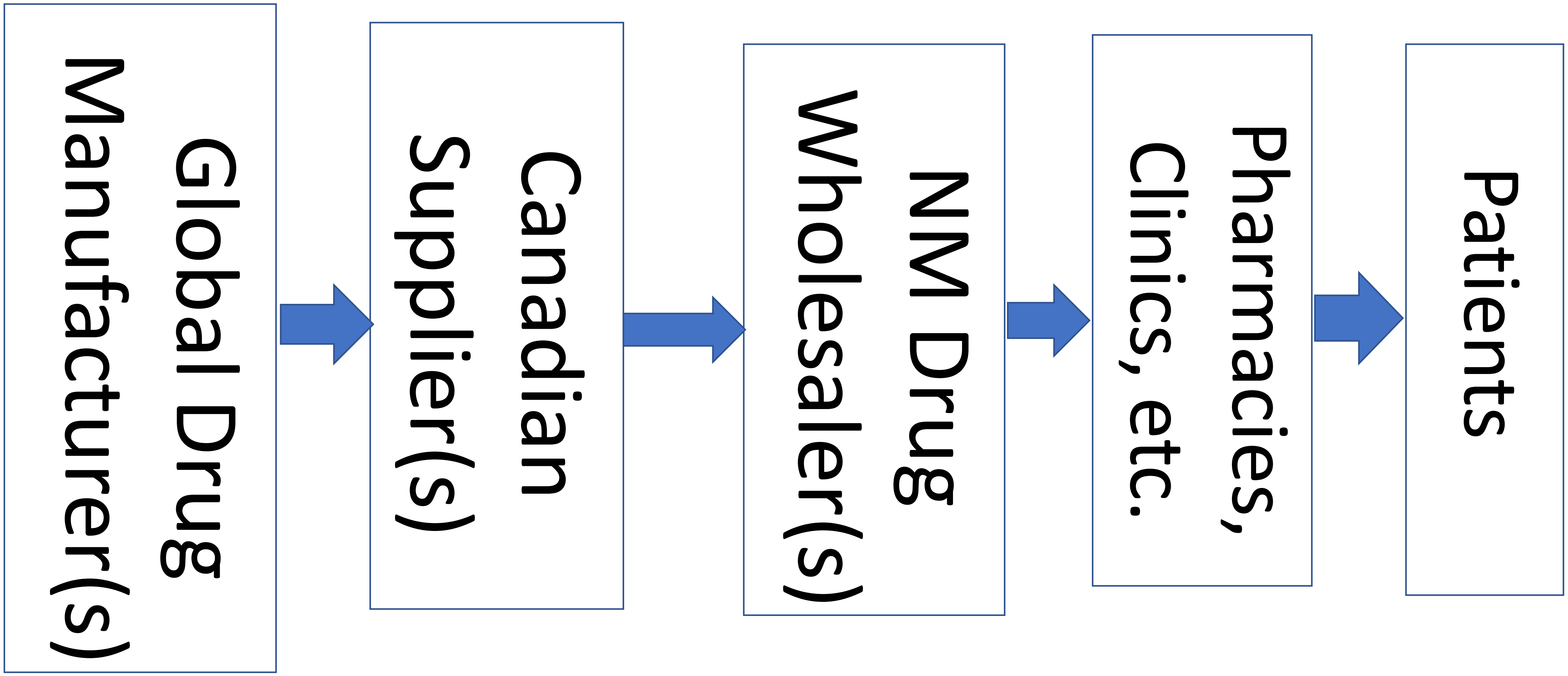
Opening the Door for SB1

- Section 804 of the FDCA, "Importation of Prescription Drugs," makes importation of lower-cost medications from Canada expressly legal in wholesale and personal use quantities.
- For this to occur, the Secretary of HHS must affirm that there would be "no additional risk to the public's health and safety" and would "result in a significant reduction in the cost of covered products to the American consumer." To date, no HHS secretary has made such a certification.

Insuring Safety

- All potential importation programs must comply with the track and trace requirements of Title II of the Drug Security and Quality Act.
- All companies in the drug supply chain, including manufacturers, wholesale pharmacies, retail pharmacies, and third-party logistics providers, must take certain actions so that a pharmaceutical product can be traced back electronically to the manufacturing source.

SB1 Process Mimics Existing Flow

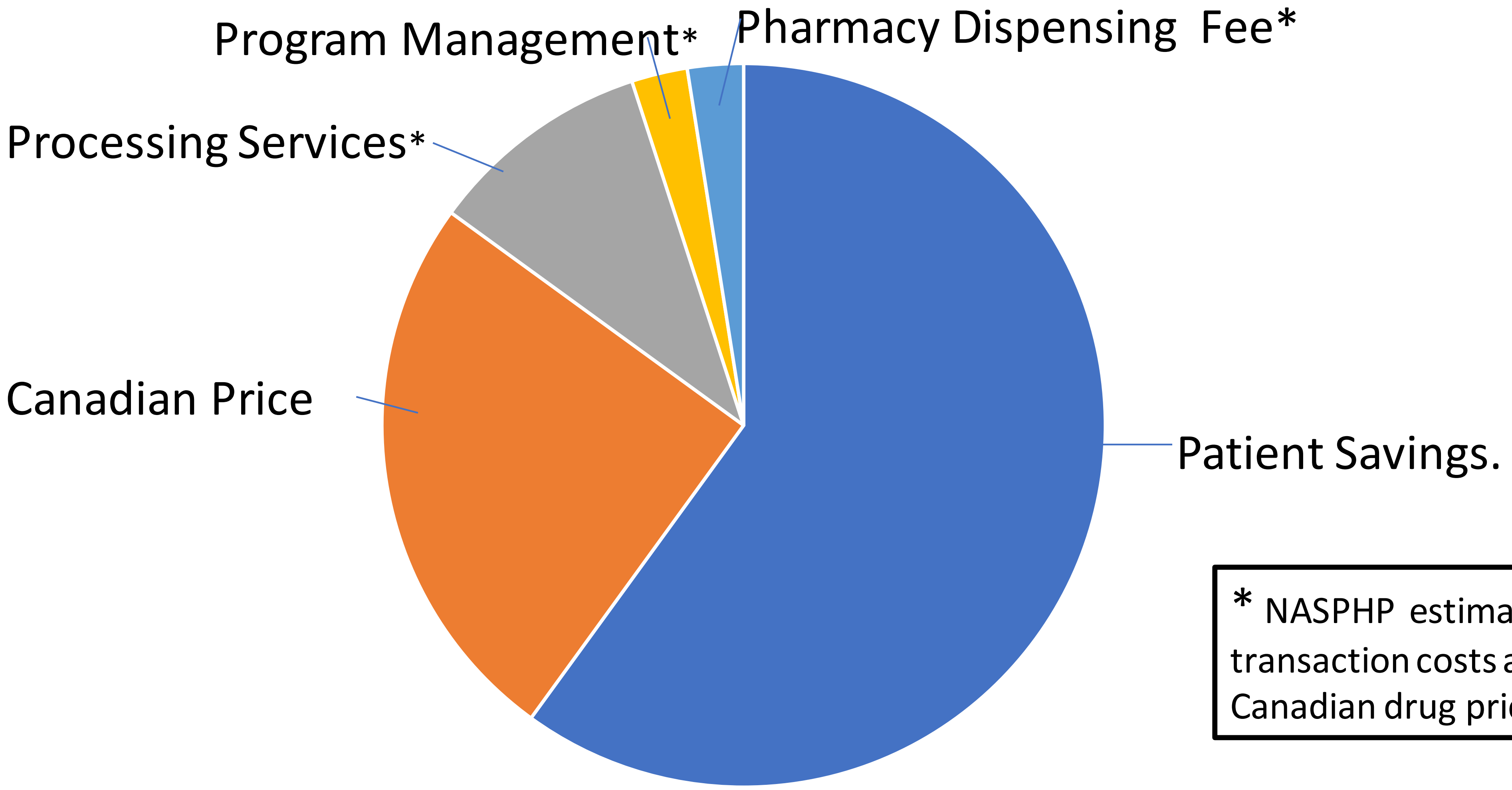


Program Savings Potential

- The New Mexico application to the Secretary of HHS must show that the importation program will produce “significant” savings to New Mexicans.
- Other states that have looked at this question have reached estimates ranging from $1.5 to $150 Million/year.
- Since the IPPC has great corporate knowledge about volume and cost of pharmaceuticals in New Mexico, we come to this group for insight on how we might best demonstrate the significance of the savings.

Potential Savings from SB1

(As % of Current USA Cost)



* NASPHP estimates total transaction costs at 45% of Canadian drug price or less

Colorado’s Approach to Estimating Savings

- Colorado has an All Payer Data Base (APDB)
- The APDB searched for 500 most expensive pharmaceuticals
- After exclusions, 168 drug remained on list
- For each drug on the list Canadian price (+ 45% transaction cost) subtracted from US price = Savings/unit
- Savings/unit x Total Units = Estimated savings for CO.

Using CO Estimates as “First Guess” for NM

- At 15% Replacement CO estimated savings = $36,180,231
- At 25% Replacement CO estimated savings = $60,300,386
- Ratio of NM/CO population: 2.10/5.76 = 0.366
- Therefore at 15% replacement, “First Guess” NM savings could be:

  <u>$13,190,709</u>

- At 25% replacement, “First Guess” NM savings could be:

  <u>$21,984,515</u>

But New Mexico is Different from Colorado

Insurance	New Mexico	Colorado
Commercial	28%	60%
Medicaid/Chip*	40%	20%
Medicare	20%	14%
Uninsured	12%	6.5%

* NM Medicaid does not receive supplemental rebates. Colorado Medicaid does. Might this matter for importation program?

The Questions

- How can New Mexico best demonstrate that its drug importation program produces “significant” savings?
- Might the experience within the IPPC be relevant to this effort?