



PRESCRIPTION DRUG AFFORDABILITY BOARD (PDAB)

SENATE BILLS 483, 484 & 485

BACKGROUND

Prescription drug costs consistently rise faster than other consumer goods, resulting in drugs that have become unaffordable for consumers and increased healthcare premiums for everyone. It is critical to work together to find solutions that address this important issue affecting healthcare affordability for Michigan citizens. According to a report from the Department of Health and Human Services, between July 2021 and July 2022, list prices on more than 1200 prescription drugs rose faster than the 8.5% inflation rate—rising on average 31.6%. [1]

One strategy to evaluate and control escalating prescription drug costs being enacted in eight states and under consideration in Michigan is the creation of a Prescription Drug Affordability Board (PDAB).

[1] [Price Increases for Prescription Drugs, 2016-2022 | ASPE \(hhs.gov\)](#)

WHAT IS A PDAB AND HOW DOES IT WORK?

The Prescription Drug Affordability Board (PDAB) is a state appointed panel of individuals with expertise in health care economics, health policy and clinical medicine. The board is supported and advised by a diverse council representing manufacturers, purchasers, clinicians, healthcare providers, insurers, and a variety of consumer groups.

Like the state's public service commission who reviews the cost of vital public services and utilities, the PDAB monitors prescription drug prices. The PDAB impartially evaluates impact of the drug cost on the healthcare system, considers input from manufacturers and other stakeholders, and identifies drugs for an affordability review. For drugs with significant annual cost increases that can pose affordability challenges, the PDAB may recommend implementation of an upper payment limit or UPL for that drug.

HOW DOES AN UPPER PAYMENT LIMIT WORK?

An Upper Payment Limit (UPL) establishes a statewide, uniform, upper payment limit on a drug determined to create financial challenges and pose patient access issues due to significant costs. The UPL set by the Michigan PDAB would apply to all payments and purchases made by state licensed entities within the healthcare supply chain including wholesalers, pharmacies, hospitals, healthcare providers and insurers. The UPL also restricts the amount a consumer can pay for that drug at the pharmacy, regardless of insurance coverage, resulting in more affordable access to prescription drugs.

The UPL does not restrict healthcare supply chain entities from continuing their current business practice of negotiating discounts or rebates to achieve the upper payment limit established for a drug purchased or paid for in Michigan. UPL applies only to the cost of the drug and does not affect professional fees paid to healthcare providers and pharmacies.

COULD AN UPPER PAYMENT LIMIT IMPACT DRUG AVAILABILITY IN MICHIGAN?

If a UPL is set for a pharmaceutical manufacturer's drug in Michigan, it is not likely they would discontinue distribution for the drug to Michigan. Drugs are sold through many wholesalers who do business across the country, making it difficult, if not impossible to restrict availability of the drug in Michigan.

Manufacturers already sell the same drug to different stakeholders at many different negotiated discounts and rebates with a goal of remaining competitive and expanding their market share. Maintaining availability for their prescription drugs is also critical to preserving the company's reputation. Finally, the UPL will limit the cost of the drug, making it more affordable, possibly expanding access for consumers and increasing sales.