

**S. 92 - An Act Relating to Interchangeable Biological Products
Department of Vermont Health Access – Cost Example**

Senate Committee on Health & Welfare

March 2, 2017

Biologics Example:

Injectable biologics for the treatment of rheumatoid arthritis is a major area of focus for biosimilar manufacturers. The three market leaders in this drug class all have a biosimilar approved with multiple biosimilars pending approval or in late Phase III trials.

	Sales 2015 (in billions)	Marketed	Approved, Not Yet Marketed	Pending	Phase III
Humira	\$16.0		1	2	7
Enbrel	\$ 5.5		1		2
Remicade	\$ 1.3	1		1	3

There are no biosimilars in the near-term pipeline for the other products in this class – Cimzia, Orencia and Simponi, which together account for less than 10% Vermont Medicaid utilization.

Vermont Medicaid Reimbursement:

In the 4th quarter of 2016, Vermont Medicaid reimbursed pharmacies \$2.7 million (average of \$4600 per prescription) for the injectable biologics used for the treatment of RA. Due to significant manufacturer rebates, however, net expenditures were only \$0.4 million (average of \$700 per prescription).

	Gross Expenditures	All Rebates	Net Quarterly Expenditures
TOTAL	\$2.7 million	\$2.3 million	\$400,000
PER RX	\$4,600	\$3,800	\$ 700

Summary:

The high rebates for the products in this class (averaging 77% of expenditures) are due to the inflation component of that rebate that most often results in high rebates for drugs that have been on the market for a substantial period of time. The gross cost of biosimilars is generally about 20% lower than the original brand product. The Federal Medicaid Rebate, however, is much lower because the biosimilars are new products. If Vermont Medicaid's utilization of the three products with approved biosimilars were to switch to those biosimilars, gross expenditures would be reduced, but the loss of rebates would cause net expenditures to increase dramatically.

Using biosimilars exclusively in this one therapeutic class would cost DVHA an additional \$4.4 million per year.

	Gross Expenditures	National Medicaid Rebate	State Supplemental Rebate	Net Expenditures
TOTAL	\$2,121,000	\$542,700	\$0	\$1,578,400
PER RX	\$3,600	\$900	\$0	\$ 2700