POLICY BRIEF
National Family Planning & Reproductive Health Association
FALL 2010

Securing Affordable Contraceptive Drugs and Devices for Title X Providers

Increasing pharmaceutical prices play a significant role in the high cost of health care. In 2009, drug prices rose 9.1 percent—the biggest increase in a decade—according to pharmacy-benefit manager Express Scripts. In recent years, family planning providers have experienced even greater pricing increases.

For example, in 2006, the price of Ortho Micronor skyrocketed from a "penny a pack" to nearly $19 for a month's supply. Public outcry caused the drug's manufacturer to bring the price back down, to $3.20 a pack, which still represented a 31,900 percent increase. More recently, in March 2010, the public-payer price of intrauterine device (IUD) Mirena jumped from approximately $468 to $703 per unit, an increase of 50 percent.

As publicly funded family planning providers face budget cuts in many states, the ever-increasing cost of drugs and other supplies is a growing concern. A 2005 survey by the Guttmacher Institute found that federal Title X family planning grantees increased their spending on contraceptive supplies by an average of 26 percent in just three years. Recent funding increases to the Title X program, while helpful, do not adequately address the problem of securing affordable supplies. Insufficient and decentralized pricing information can make finding the best prices a time-consuming and challenging task. Many family planning providers have been able to use a combination of drug discount programs to meet their needs and the needs of their patients, primarily the poor and low-income. However, there are a number of improvements that could be made to assist providers in securing consistent, affordable supplies, thus ensuring a better continuity and quality of patient care.

Background

In 1992, Congress established the 340B Drug Pricing Program, which limits the cost of covered drugs for certain federally funded health centers, including Title X centers. The 340B program, which is operated by the Office of Pharmacy Affairs (OPA) of the Health Resources and Services Administration (HRSA), calculates a price ceiling on a quarterly basis for each drug based on private-sector pricing. Manufacturers must provide the drugs to participating entities below that price. Congress also established the Prime Vendor Program (PVP), currently operated by Apexus, which leverages the collective purchasing power of participating entities to get prices below 340B ceilings. The PVP works to negotiate longer contracts, offering greater stability to drug pricing by reducing the risk of quarterly price fluctuations. The PVP also attempts to negotiate discounts on medical supplies and services that are not covered by 340B.

Though these federal programs do provide some much-needed discounts and support for participating health centers, many family planning providers and administrators believe that it is not enough. A 2009 study commissioned by the Office of Population Affairs (OPA) of the U.S. Department of Health and Human Services (HHS), conducted jointly by the Lewin Group and the Guttmacher Institute, found several areas for improvement. In the study, family planning providers identified three primary areas of concern: insufficient discounts, inadequate information and administrative burdens.

Challenges

Although the 340B price ceilings are generally around half of the list price of a drug, the discount from the average manufacturer price (AMP, or the average price for wholesalers who provide drugs to retail pharmacies) is much smaller. For example, the 340B price ceiling for generics is calculated as AMP minus 11 percent. Information used to calculate AMP is proprietary, and it is difficult, if not impossible, to anticipate price increases. This instability in prices can be devastating to a health center's budget, especially for Title X centers supported by inadequate government funding.

Price increases that may seem modest on a single-prescription basis, such as going from $3.00 to $3.25 per pill pack, can cause severe budget shortfalls, especially when such increases come in the midst of a center's budget year. "You can't plan for these sudden increases. Prescriptions are not a once-a-year cost, so an increase of 25 cents is really 25 cents times 12 months times the number of clients," said Laura Urbanec, Executive Director for the Central Health Center in Nebraska. In 2008, more than 1.7 million women served in Title X-funded health centers were on some form of the pill—meaning that a 25 cent increase for a popular brand of oral contraceptive used by just 20 percent of Title X patients would equal more than $1 million in additional annual expenses.

The only time that participants receive a steep discount from the AMP is after a drastic increase in the market price of a brand-name drug results in a penalty to the manufacturer, causing the drug to be available at "penny pricing." Penny pricing is a significant help while the discounting lasts, but is difficult to plan around because after a quarter ends, health centers are once again hit with a sharp price increase. Manufacturers also sometimes ration the amount of pharmaceuticals that can be purchased during a penny-pricing period to prevent stockpiling, which limits health centers' ability to take advantage of the low price.

Because the 340B program does not function as a distributor, family planning providers and administrators must seek out the suppliers that offer the best prices. Distributors offer health centers the convenience of being able to purchase drugs from several different manufacturers, but also tend to be more expensive than purchasing directly from the manufacturer. However, the value of savings from purchasing directly may be less than the value of *time* spent dealing with multiple manufacturers. Further complicating matters, some drugs are available only through a distributor (the contraceptive implant called Implanon), and others only through the manufacturer (the intrauterine device Mirena).

The high cost of contraceptive drugs and devices prevent some health centers from being able to provide the fullest range of effective methods, to the detriment of the patient.

Many other issues arise due to a perceived lack of information—the extent to which centralized purchasing is allowed for Title X entities with local clinics, the federal definition of "patient" and the prohibition on duplicate discounts are all sources of confusion. The bottom line for Title X providers, however, is that the high cost of contraceptive drugs and devices prevent some health centers from being able to provide the fullest range of effective methods, to the detriment of the patient. "We know IUDs are a more effective contraceptive option for many women, so we want to offer them as broadly as possible," said Karen Ford Manza, CEO of the Arizona Family Planning Council. "But the up-front cost—anywhere from $200 to $400 each through 340B—is just too much for many clients and providers to bear."

Looking Ahead

While there are some resources available to assist providers access to affordable contraceptive drugs and devices, the labyrinthine process of drug purchasing is a drain on administrative time and resources. Sudden price spikes and the overall high cost of contraceptives put a strain on the budgets of publicly funded family planning centers, affecting their ability to stock the full range of contraceptive options. This can negatively impact patient health.

NFPRHA believes that providing access to a broad range of effective contraceptive options is a critical component of ensuring the continuity and quality of patient care, and that the federal government must make improvements to assist providers in securing consistent, affordable supplies. Greater transparency and consistency in 340B pricing would enable health centers to better understand and plan for pricing changes. A smoother purchasing process involving more centralized sources of information and support would allow providers more time to focus on patients. However, the steep rate of drug pricing increases is a critical ongoing issue, and one of the key reasons the program needs additional funds. ■

National
Family Planning
& Reproductive Health Association
1627 K Street, NW, 12th Floor • Washington, DC 20006-1702
Phone: (202) 293-3114 • www.nationalfamilyplanning.org