ELI LILLY CAPS INSULIN COST

Written By David Ostrowsky

During his State of the Union speech last month, President Joe Biden called for the out-of-pocket cost for insulin to be capped at $35.

It turns out that at least one drugmaker was listening.

On March 1, Eli Lilly, a pharmaceutical company with vast global reach, announced that it was indeed capping the out-of-pocket cost of its insulin at $35 a month—in addition to slashing the price of its two highest-selling insulin products, Humalog and Humulin, by 70%—and thus falling in line with a provision in the recently passed Inflation Reduction Act, which ensured that seniors enrolled in Medicare pay no more than $35 per month for insulin.

Eli Lilly's announcement made for above the fold news because now some individuals with private insurance—and not just Medicare recipients—would reap the considerable benefits of a $35 cap. For those without insurance, they too can pay just $35 per month by downloading Eli Lilly's Insulin Value Program savings card.

The costs of insulin, a lifesaving drug for millions of Americans (the American Diabetes Association estimates that 8.4 million Americans who are diabetic rely on insulin), remain exorbitantly high, at least compared to the medication's price tag in other countries where their respective governments negotiate prices directly with drug manufacturers.

Case in point: a 2020 Rand study revealed that the average price per vial of insulin in the US was over $98 in 2018; in Australia, Canada, and the UK, the prices for a vial of insulin were approximately $7, $12, and $8, respectively.

Hopefully, Eli Lilly taking the initiative to help rectify this systemic problem will motivate America's two other primary insulin manufacturers, Novo Nordisk and Sanofi, to follow a similar course of action.

"While the current healthcare system provides access to insulin for most people with diabetes, it still does not provide affordable insulin for everyone and that needs to change,"remarked Eli Lilly's Chair and CEO David A. Ricks in a company-issued press release. "The aggressive price cuts we're announcing today should make a real difference for Americans with diabetes…for the past century, Lilly has focused on inventing new and improved insulins and other medicines that address the impact of diabetes and improve patient outcomes. Our work to discover new and better treatments is far from over. We won't stop until all people with diabetes are in control of their disease and can get the insulin they need."

Tragically, for decades now, millions haven't been able to get the requisite amounts of insulin they need because of the runaway prices charged for the medication that in its absence can lead to death or, at the very least, severe health consequences including kidney failure and amputation.

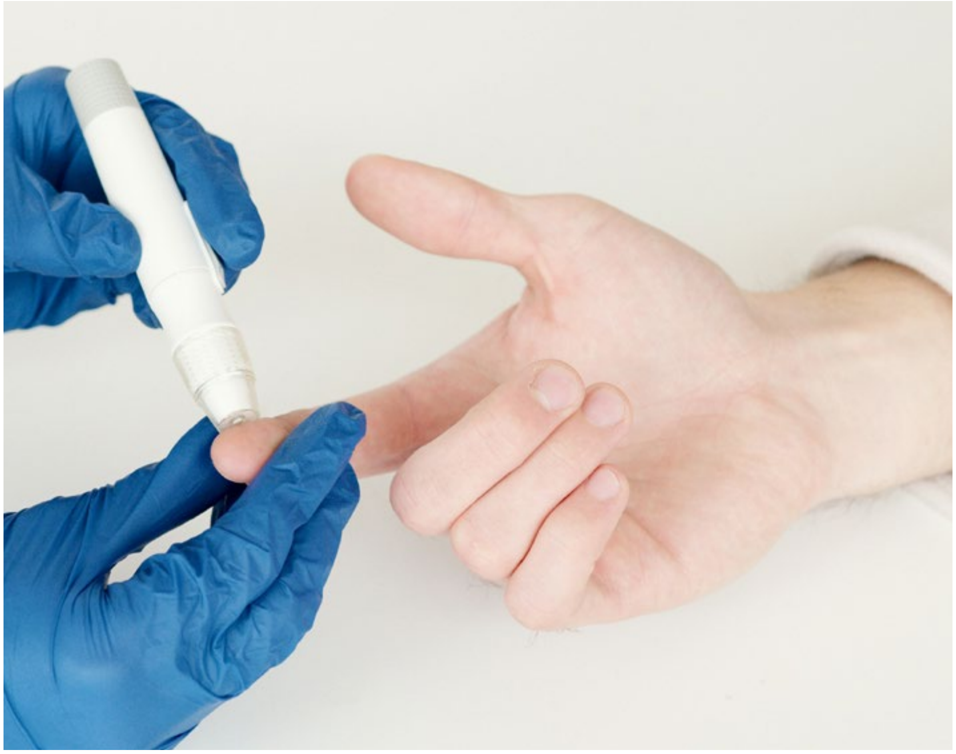
In fact, for many Americans living with diabetes, the annual cost to obtain life-saving insulin can well exceed $1,000. As such, it comes as little surprise that, per a report released earlier this month by "PBS News Hour," among the millions of diabetic Americans, approximately 1.3 million are either uninsured or have subpar insurance and are thus forced to ration their insulin in order to pay other bills … ultimately to jeopardize their ability to survive.

Undoubtedly, Eli Lilly has been a chief culprit behind such escalating prices, as evidenced by the fact that for the past nearly 30 years, the publicly traded company has increased the list price of its most popular insulin product, Humalog, by more than tenfold.

And while the announcement that Eli Lilly will not only enact the $35 price cap but also plans to lower the list prices of Humalog and Humulin by 70 percent in the last quarter of 2023 and reduce its generic lispro's list price from $126 to $25 per vial appears promising, diabetic Americans and lobbyists clamoring for price regulation still face significant headwinds in their campaign to reduce costs for an injection that millions take to stabilize their blood sugar levels.

For one, the reduced list prices, which will take effect over the course of 2023, are only applicable to Lilly's older insulin products. (One of the company's newer Humalog products, a prefilled insulin pen, will still cost $530 while its long-acting insulin product, Basaglar, first approved in 2015, will not become more affordable.)

Meanwhile, Lilly's new list price for a vial of Humalog ($66) still exceeds triple the amount which the company charged for the product when it was brought to market in 1996. And perhaps most significantly, Lilly's list-price cuts won't necessarily translate to all



diabetic patients enjoying a corresponding reduction in their out-of-pocket costs for insulin as many insured people pay fixed monthly copays that will continue to be static.

As Elizabeth Pfiester, who has diabetes and is the executive director of T1International, a group that has been advocating for a federal ceiling on insulin list prices, told the *New York Times*, Lilly's announcement

"does not mean that the situation is fixed or everything is solved" while adding, "this is good news for some, but we need regulation to make sure that the companies can't change their mind again and decide to raise the price."

Indeed, the recent Eli Lilly development can't be perceived as a panacea for all Americans who suffer from diabetes because there are still the two other drug manufacturing companies, Novo Nordisk and Sanofi, that have a significant foothold in the market.

For patients whose health insurers are contracted with these two behemoth manufacturers, which in other words is approximately seven out of ten Americans, there may not be such relief at the pharmacy counter.

This stands in stark contrast to the situation involving government-mandated insulin price caps: the firm $35 cap on insulin out-of-pocket costs for Medicare-eligible Americans, included in last year's Congressional approved Inflation Reduction Act, is in effect irrespective of the company manufacturing the insulin.

The bottom line is that for the majority of diabetic Americans, the prices of insulin will continue to present a significant financial burden—at least in the short term.

Which means for self-insured employers, ones who traditionally contract with pharmacy benefit managers (PBMs) who design drug formularies and negotiate prices with drug manufacturers on their behalf, it becomes even more critical to seek out generic versions of a branded product as well as less costly alternatives.

This is easier said than done. Unfortunately, the complex relationship that many self-funded employers have with PBMs often leaves many employers unaware that reclassifying certain drugs as generic (or branded) can drive up costs tremendously or that their employees have been directed to utilize pricey drugs when more reasonably priced generics are available.

The end results are often the overutilization of overpriced drugs, higher patient cost sharing, and excessive employer spending on drugs.

Although self-insured group health plans do not have full discretionary authority to include or exclude expensive prescription drugs, they do have some latitude to pursue prescription drugs that are more cost effective, a reality of which plan administrators should be very well aware.

From a broader perspective, diabetes, itself, remains a pressing concern among the American population. CNN recently reported that in the US alone, the number of adults with diabetes has doubled over the past two decades while the US Centers for Disease Control and Prevention estimate that over 37.3 million now have it. As if these numbers weren't sobering enough, tens of millions of more Americans are prediabetic.

A measure to lower the cost of a live-saving product for the masses suffering from the malady? No wonder President Biden heralded the Lilly announcement as "a big deal."

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