AHIP engaged Milliman, an actuarial consulting firm, to analyze actual rebate data and shed light on (1) the prevalence of drugs with rebates; (2) rebate levels as a percentage of drug spend by level and type of market competition; and (3) average annual cost and price trends for drugs with and without rebates. Throughout the report and the excerpts below, rebate refers only to manufacturer rebates and excludes pharmacy rebates.

The key findings of the Milliman report include:

- In 2016, manufacturer rebates totaled approximately 22% of total Part D brand drug gross spending. The average rebate for brand drugs with rebates was 30% of gross drug cost.
  - In general, non-specialty drugs have the highest manufacturer rebates when measured as a percentage of gross drug cost, followed by specialty drugs and protected class drugs, respectively.
  - For brand drugs with rebates, drugs in classes with brand competition had the highest average manufacturer rebate at 39% of gross cost, while protected class drugs had the lowest average rebate at 14% of gross cost.
- On average, the highest cost drugs have the lowest manufacturer rebates (as a percentage of gross drug cost), for brand drugs with rebates.
- Brand drugs with significant generic competition (three or more manufacturers) exhibited lower average price trends than other brand drugs between 2013 and 2016.

We believe that the report’s findings support the following AHIP conclusions:

- There was no link between the level of rebates offered and how fast drug prices increased between 2013 and 2016.
- The level of rebates negotiated with drug makers is driven by market competition – not price.
- Among Part D brand drugs with rebates, drugs with the most robust competition provided the highest rebate percentages.
- Reducing plan leverage by requiring a prescription drug to be on a formulary (i.e., protected classes) leads to lower rebate savings.

The Milliman Prescription Drug Rebates and Part D Drug Costs Analysis findings include:

Most prescribed medications are not rebated by drug makers.

89% of prescriptions written in 2016 had no rebates, the vast majority of which include generic drugs that generally lack rebates.

81% of all Part D drugs analyzed did not have rebates from drug makers in 2016, and 64% of brand drugs analyzed did not have rebates.
For 2016, brand drugs with manufacturer rebates had **lower average annual gross cost per beneficiary** than brand drugs without rebates.

Among brand drugs with rebates from drug makers, drug price trends (per unit) were similar for:

- The rebate quartile (i.e., rebate percentages)
- Being a specialty, non-specialty, and protected class drug

Among brand drugs with manufacturer rebates, rebates as a percentage of total drug spending were on average:

- **Highest** for drugs with direct brand and generic competition, &
- **Lowest** for protected class drugs.

Only 13% of the 2016 protected class drugs analyzed had manufacturer rebates.

The rebates for protected class drugs with rebates **averaged 14% of drug spend** -- significantly lower than rebate levels for drugs with direct brand competition (i.e., 39% of drug spend).

**AHIP notes that when it comes to out-of-control drug costs, the problem is the price.** Lower drug prices are an essential part of making coverage and care more affordable, and there are no barriers for drug manufacturers to voluntarily reduce their prices. Health insurance providers encourage drug makers to work constructively with our industry to lower drug prices and costs for all Americans.