Oregon Upper Payment Limit (UPL) – Proposed Approach

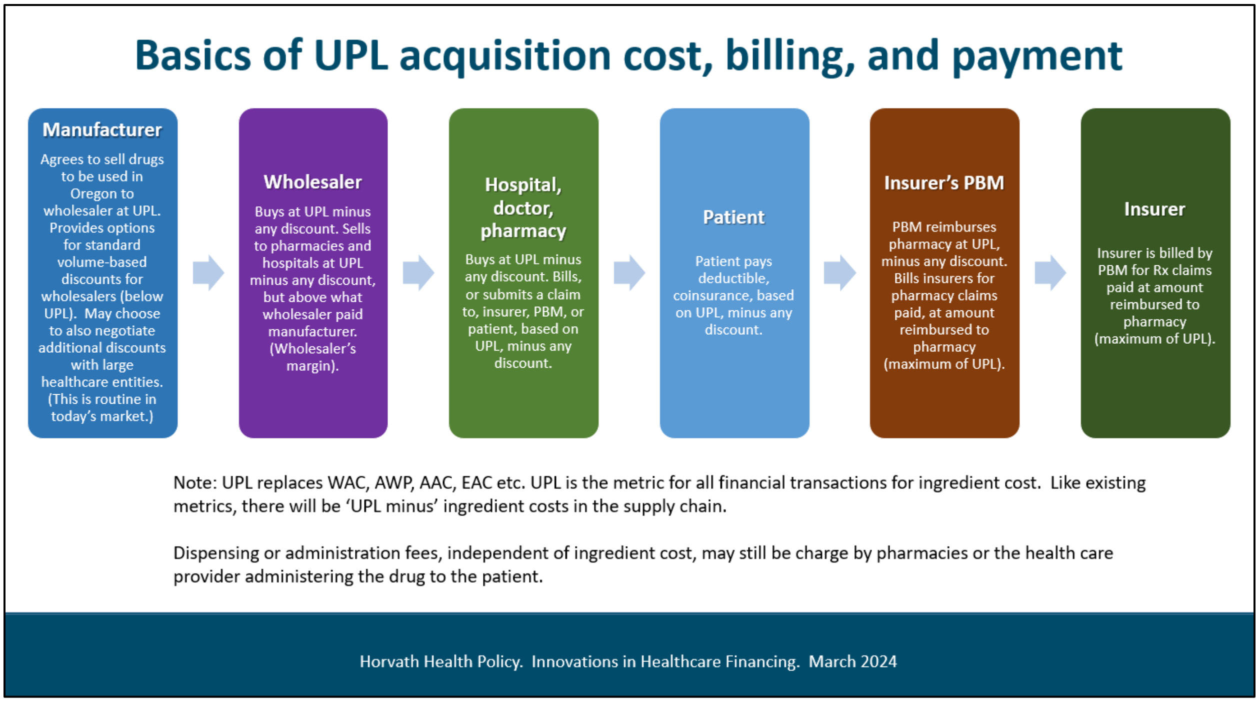
Under this proposed approach, the Prescription Drug Affordability Board would be similar to the state public service/public utility commissions that set the amount consumers pay for vital public services. Upon implementation, an Oregon upper payment limit (UPL) would be applied to all supply chain participants involved in a prescription drug product being dispensed or administered within the state. These participants include wholesalers, hospitals, clinics, physician offices, pharmacies, pharmacy benefit managers, insurance carriers, health plans, and most importantly, patients.

Currently, the national supply chain for prescription medications is oriented around a list price set by the manufacturer, called the Wholesale Acquisition Cost (WAC). All supply chain participants are eligible to negotiate their contract terms defined in relation to a medication's WAC.

The proposed model for the Oregon UPL would be for a UPL to be the maximum reference price for all supply chain transactions for a prescription drug dispensed or administered within the state. Once determined, the Oregon UPL could be loaded to one or more drug pricing compendia for information. All supply chain participants in the state could amend current business processes and/or pricing algorithms to be based upon the Oregon UPL.

Starting at the first transaction in the supply chain, wholesalers purchasing from manufacturers, the Oregon UPL would be the maximum amount paid by the wholesaler. As typically done, the wholesaler may negotiate discounts off the UPL. All downstream supply chain participants could purchase or reimburse at or below the UPL, but not above.

The diagram on the following page demonstrates the Oregon UPL proposed model.



For 340B covered entities, acquisition cost would not change. Products would remain available at or below the federal 340B ceiling price through the prime vendor or other source. The UPL will not be set lower than 340B acquisition cost, and likely will be much higher. 340B covered entities or their contract pharmacies would not be able to be reimbursed more than the UPL, consistent with all other Oregon supply chain participants. 340B covered entities will continue to make margin on products with a UPL.