Drug Pricing and Value

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Overview

- Discuss the Problem
- Review Proposed Ideas
- Panelists Share Open Remarks
- Everyone Invited to Participate in Open Discussion
- Consider Action Opportunities

Martin Shkreli
Turing Pharmaceuticals

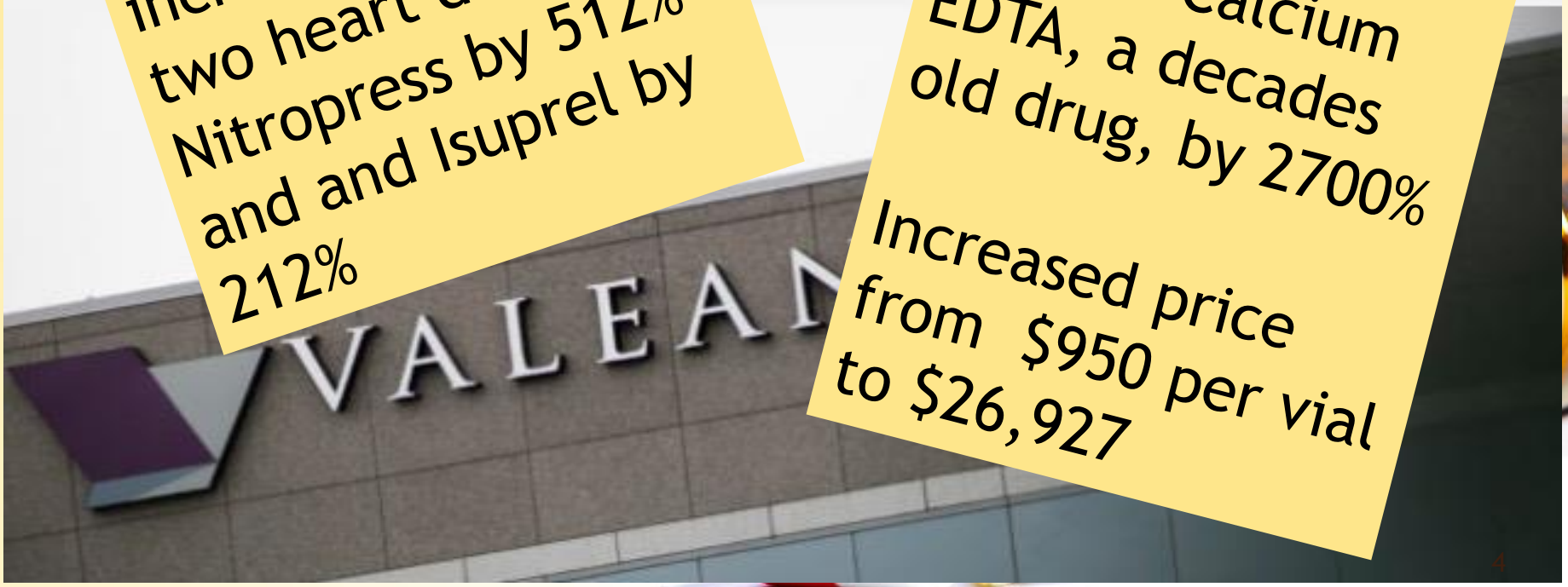
In 2015, bought and increased price of Daraprim which is used to treat toxoplasmosis, often seen in HIV patients, by 5000% from $13 to $750 per tablet.

Huge Valeant price hike on lead poisoning drug sparks

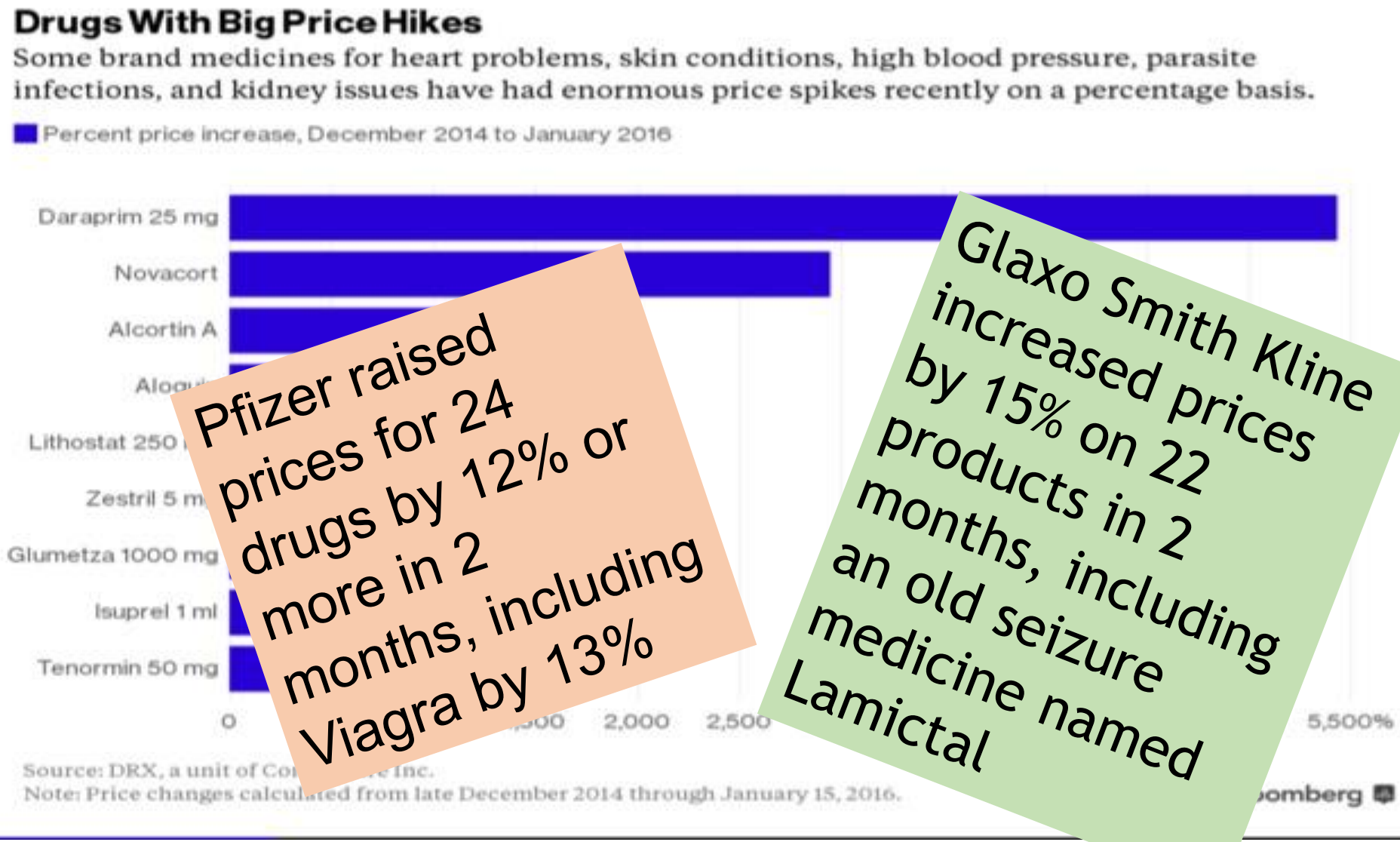
In 2015, bought and increased price of two heart drugs: Nitropress by 512% and and Isuprel by 212%

In 2015, bought and increased price of Calcium EDTA, a decades old drug, by 2700%

Increased price from $950 per vial to $26,927



Problem: Drug Prices Sky Rocket!



Pfizer raised prices for 24 drugs by 12% or more in 2 months, including Viagra by 13%

Glaxo Smith Kline increased prices by 15% on 22 products in 2 months, including an old seizure medicine named Lamictal

Bloomberg. Feb 2, 2016 Shkreli Was Right: Everyone's Hiking Drug Prices

http://www.bloomberg.com/news/articles/2016-02-02/shkreli-not-alone-in-drug-price-spikes-as-skin-gel-soars-1-860

The BIGGER PROBLEM:

20 of the Top 25 Drug Expenditures in 2015 saw price increases driven by Brand Drugs

Humira increased 37%!

Table 3. Top 25 Drugs by Expenditures Overall in 2015

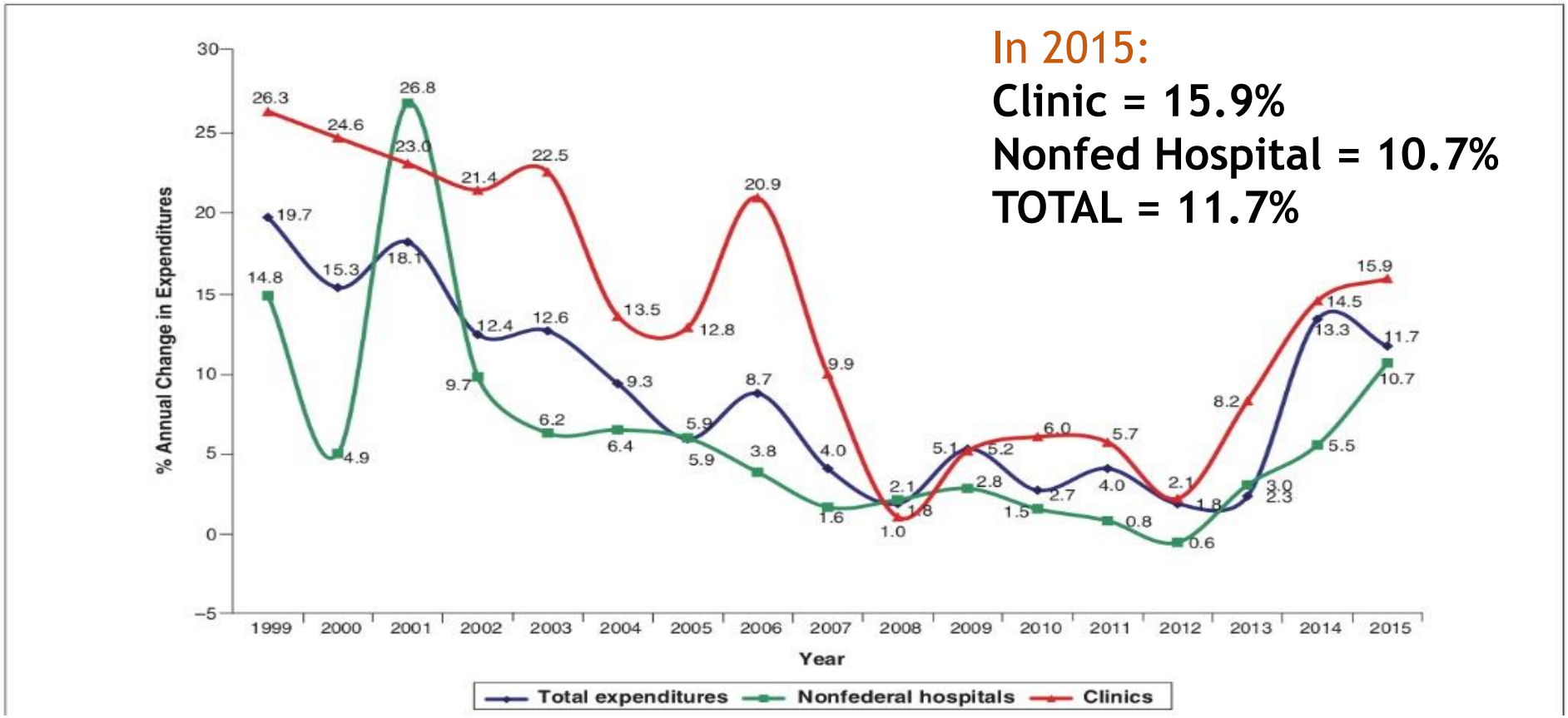
Drug[a]	2015 Expenditures ($ Thousands)	Percent Change From 2014
Ledipasvir–sofosbuvir	14,256,452	. . .[b]
Adalimumab	10,555,712	37.1
Insulin glargine	9,199,002	16.3
Etanercept	6,558,015	13.3
Rosuvastatin	6,415,420	9.3
Aripiprazole	6,364,092	–20.6
Fluticasone salmeterol	5,348,330	1.9
Infliximab	4,983,314	10.7
Esomeprazole	4,581,231	–23.0
Insulin aspart	4,519,650	28.8
Glatiramer	4,493,395	12.1
Pegfilgrastim	4,111,876	7.3
Sitagliptin	4,107,780	18.5
Insulin lispro	3,829,984	23.2
Pregabalin	3,820,486	23.4
Interferon beta-1a	3,750,432	1.1
Rituximab	3,634,107	4.9
Tiotropium bromide	3,573,982	7.2
Insulin detemir	3,558,944	34.8
Dimethyl fumarate	3,469,448	20.0
Bevacizumab	3,137,829	8.8
Epoetin alfa	3,078,543	–9.1
Albuterol	3,051,641	10.2
Sofosbuvir	2,988,767	–61.9
Oxycodone	2,960,431	–3.4

[a]For each drug listed, the expenditures shown are the total for brand and generic products and for various dosage forms.
[b]Not calculated because product was not available for entire year in 2014.

http://m.ajhp.org/content/73/14/1058.full.pdf
National Trends in prescription drug expenditures and projections for 2016

Percent Annual Change in Drug Expenditures from 1999-2015

Figure 1. Annual growth in drug expenditures, 1999–2015.



http://m.ajhp.org/content/73/14/1058.full.pdf
National Trends in prescription drug expenditures and projections for 2016

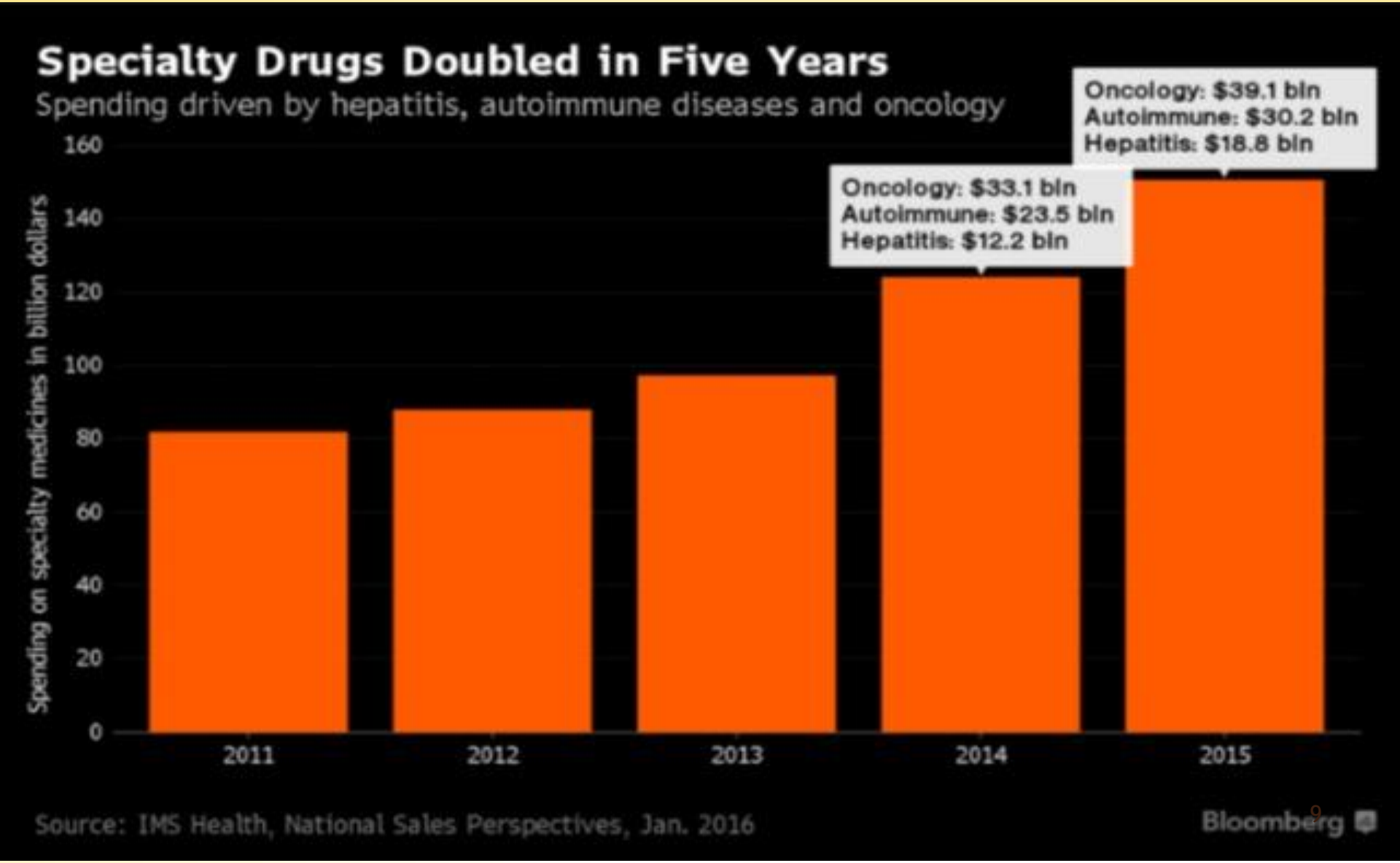
2016 Drug Projections

Projected an 11–13% increase in total drug expenditures overall in 2016

- 15–17% increase in clinic spending
- 10–12% increase in hospital spending

Am J Health-Syst Pharm. 2016; 73:1058-75

The BIGGEST PROBLEM: Specialty Drug Spending Trend



Specialty Drugs

Used by 1-2% of population

Represents 37% drug spend in 2015

- Represents 18% increase from 2014

Estimated to represent 50% of drug spend in 2018

www.lab.express-scripts.com

World's Most Expensive Drug

Glybera approved in Europe in 2012 =

$1 million per treatment for rare Lipoprotein Lipase Deficiency

Not FDA approved

First Gene Therapy

Used once in Germany

Approx. 70 gene therapy studies in phase III studies….so they are coming!

Pharmaceutical Manufactures: Need their Research and Innovation

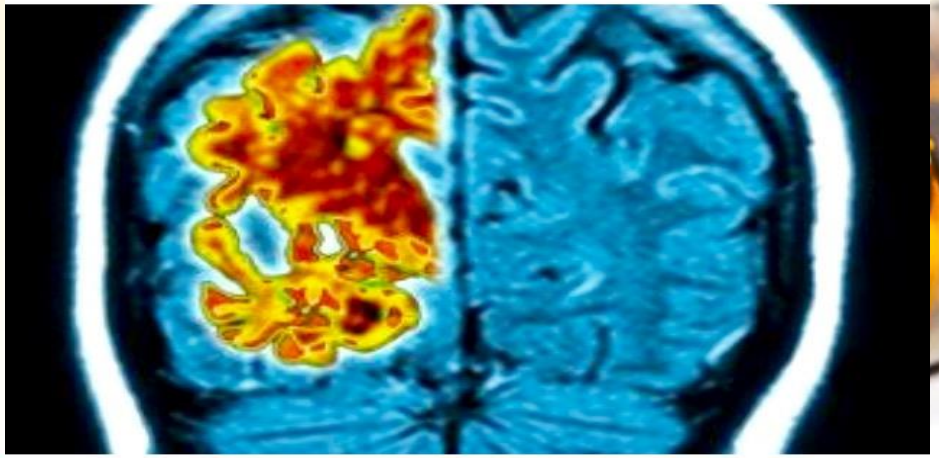
GARDASIL 9
Human Papillomavirus
9-valent Vaccine, Recombinant

HEPATITIS C

Hepatitis C
CURED

Alzheimer's drug clears away sticky plaque in the brain

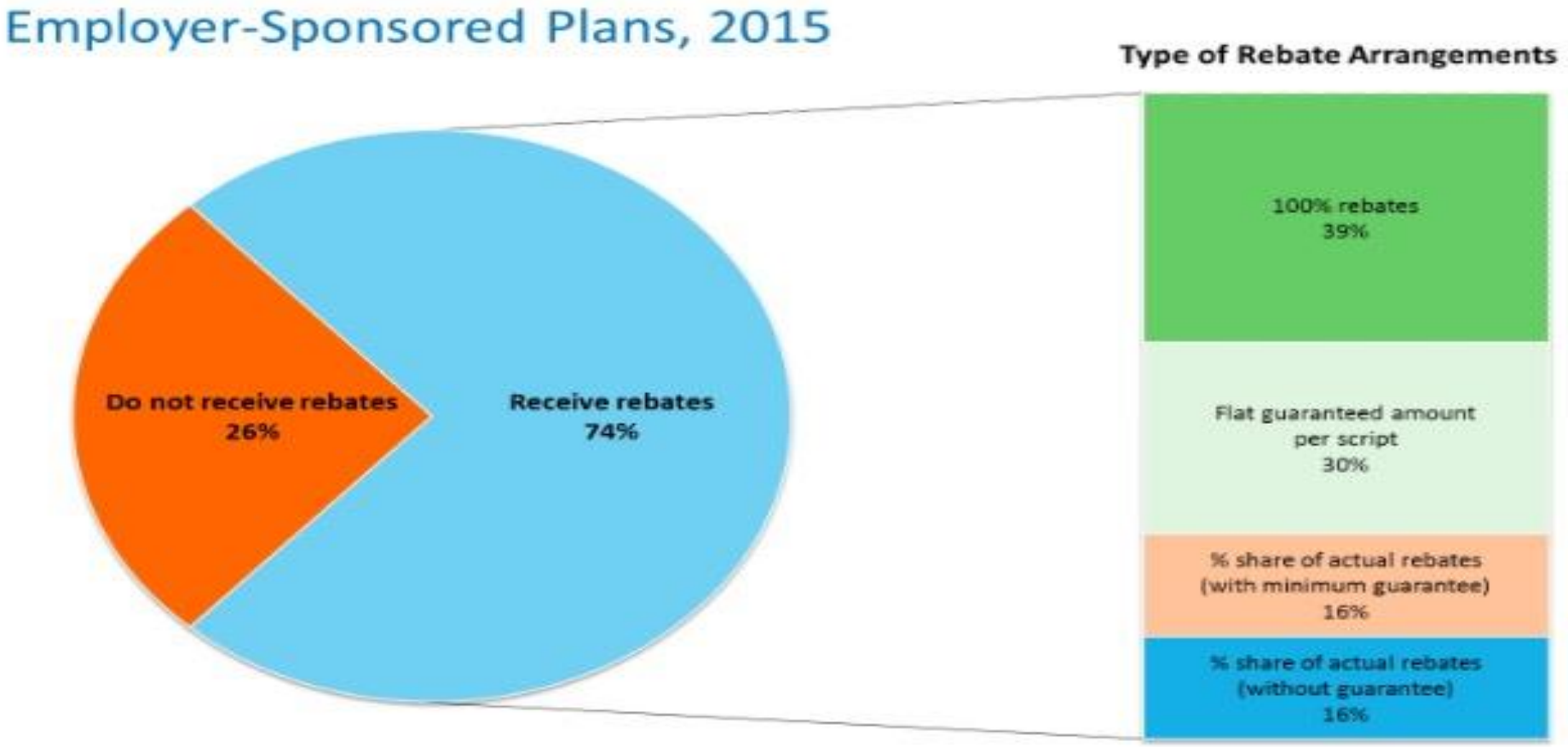
share



The new drug was shown to eliminate up to 94 per cent of the plaque believed to cause Alzheimer's disease

PBMs obtain Rebates from Pharma to Reduce Employers Costs

2015-2016 Prescription Drug Benefit Cost and Plan Design Report (surveyed 302 employers)



Data exclude respondents who were not sure or did not know if their company received rebates. Responding companies that received rebates but were not willing to provide details on rebate arrangements were allocated proportionately into the four rebate categories. Totals may not sum due to rounding.
Source: Pembroke Consulting estimates based on *2015-2016 Prescription Drug Benefit Cost and Plan Design Report*, PBMI, 2015.
Published on Drug Channels (www.DrugChannels.net) on January 14, 2016

DRUG CHANNELS INSTITUTE

How Did We Get Here?

Market exclusivity = protected monopoly for brand drugs

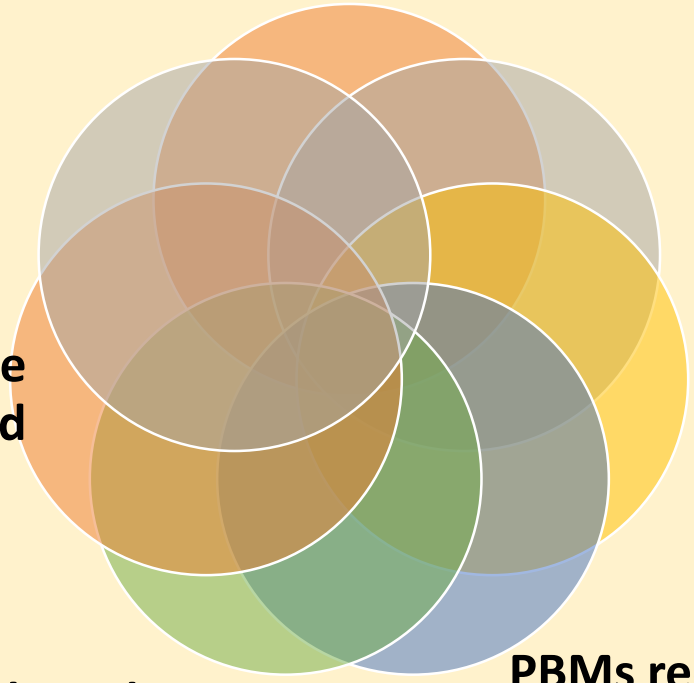
- FDA

Prescribing choices

- Prescribers, payors, patients and policy makers

The availability of generic drug access is delayed

- FDA



Negotiating power is limited if want access to all meds and if don't have data to make value-based decisions

- Payors

Consolidation of generic manufacturers

- **Congress**

Pharma set prices based on what "market can bear"

- Pharma transparency

PBMs receive rebates and terms which are not fully disclosed

- PBM transparency

Solution Ideas

As we are moving forward with aligning payment for providers from volume to value (ACO's, EPHC, etc.), we must start aligning drug payment to value.

Innovative Contract Models

Outcomes Based

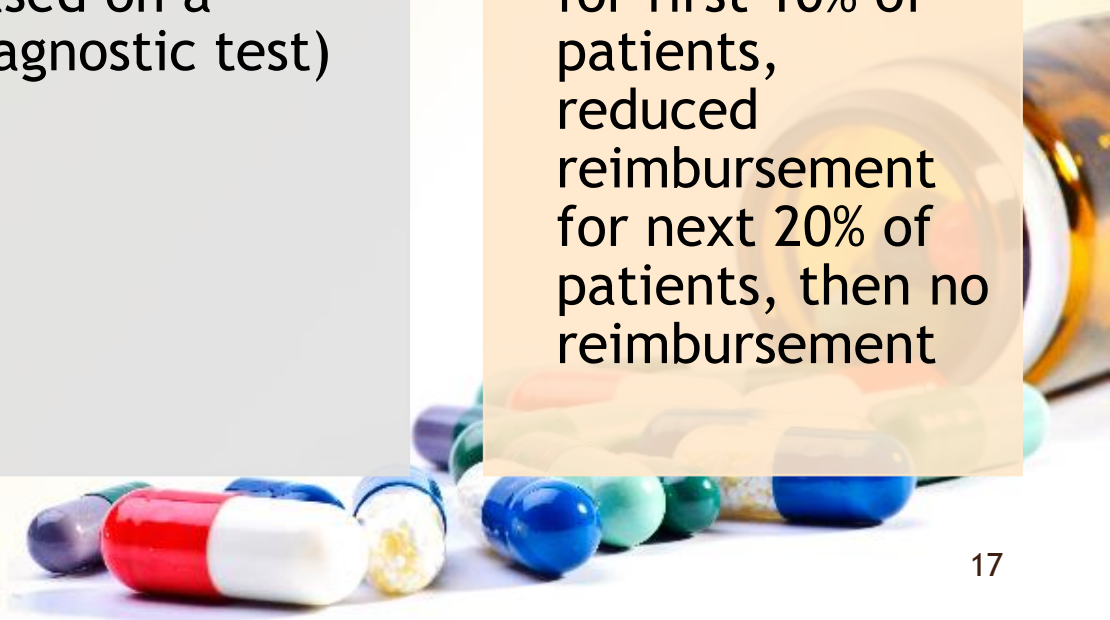
- Scenario: Full reimbursement for responders, reduced reimbursement for partial responders, and no reimbursement for non-responders

Risk Type Based

- Scenario: Reimbursement linked to VALUE and level of risk factors (e.g. based on a diagnostic test)

Financial Utilization Based

- Scenario: Price volume agreement with full reimbursement for first 10% of patients, reduced reimbursement for next 20% of patients, then no reimbursement

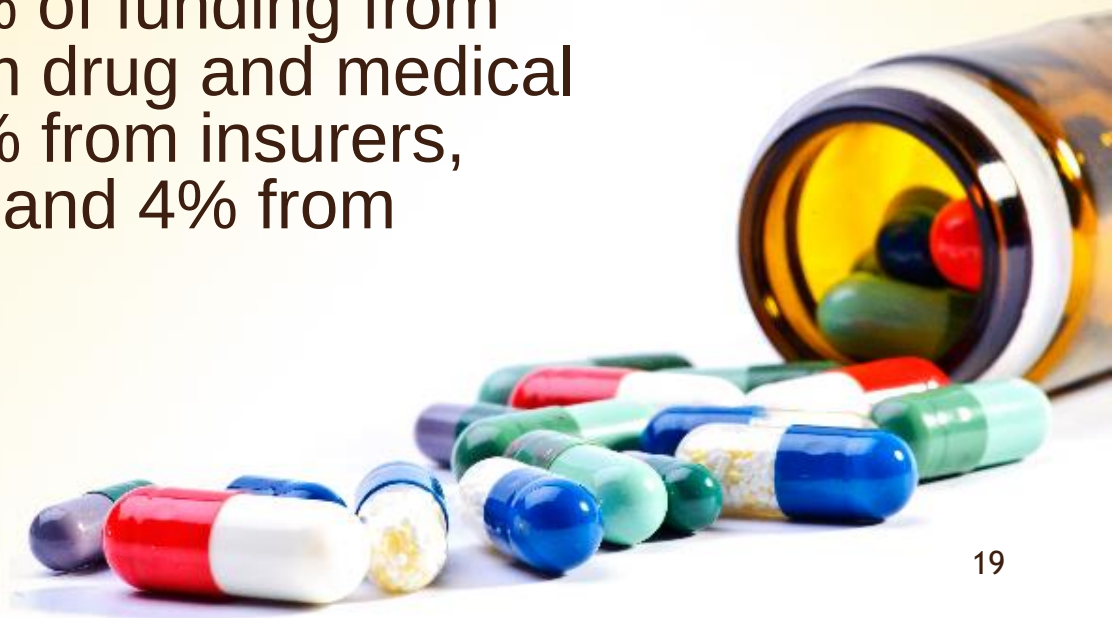


Dr. Aaron Carroll
Reference Drug Pricing

https://www.youtube.com/watch?v=XTl8JCvSqec#action=share
https://www.patreon.com/posts/making-drugs-6640605?login=dave%40hoi.com

Institute for Clinical and Economic Review (ICER)

- ICER started in 2006 as an academic research project at Harvard Medical School and became a separate entity in 2013
- Use evidence to ensure sustainable access to high value care for all patients
- Not-for-profit with 70% of funding from foundations, 17% from drug and medical device companies, 9% from insurers, doctors and hospitals and 4% from government grants
- https://icer-review.org



ICER Drug Assessment Expansion

- Produce 15-20 reports per year on highest impact NEW drugs near time of FDA approval
  - Opportunity to do "class reviews" examining older drugs
- All reports include
  - **Full review of comparative clinical effectiveness**
  - Analyses of the improvement in patients' lives, thus look at Quality of Lives Years gained not just life years gained
  - Analyses of potential budget impact for health system
  - "Value-based price benchmarks"
- All reports debated in public with voting on evidence of effectiveness and value

Reports: Drugs

- Hepatitis C
- PCSK9 inhibitors
- Entresto for heart failure
- Second and third-line Rx for multiple myeloma
- Treatments for non-small cell lung cancer
- Migraine drugs
- Type 2 diabetes
- ADHD

Future Drug Report Topics in the Pipeline

- Psoriasis
- Rheumatoid arthritis
- Multiple sclerosis
- Abuse-deterrent formulations of opioids
- Atopic dermatitis (eczema)
- Osteoporosis
- *Gene therapy (not yet confirmed)*
- *CAR-T cancer drugs (not yet confirmed)*

How ICER Reports have been used to Drive Value

PRICE MEETS BENCHMARK

- Mandatory inclusion in formulary
- First tier with zero or low co-pay
- No prior auth required for providers
- Create value-based “pathways”
  - Higher payment for clinicians and/or lower out of pocket for patients
  - Allow entry into pathway for all drugs meeting value standard

PRICE EXCEEDS BENCHMARK

- Lower tier or allow exclusion
- Full exercise of step therapy, etc.
- Reimburse up to value-based price
- Create value-based “pathways”
  - Lower payment for clinicians and/or higher out of pocket for patients
  - Deny entry into pathway

ICER Pilot Opportunities
Available to Forum Members

Move to a value-based formulary

- Indication-specific pricing
- Outcomes-based contracting
- Tie formulary placement or inclusion to meeting value-based price benchmark
- Performance-based add-on payments for physicians using pathways with high value drugs
- Tie reimbursement to the benchmark price (reference pricing)
- Could combine the above with low or no cost-sharing for patients and no prior authorization/utilization management for physicians

Panel Discussion

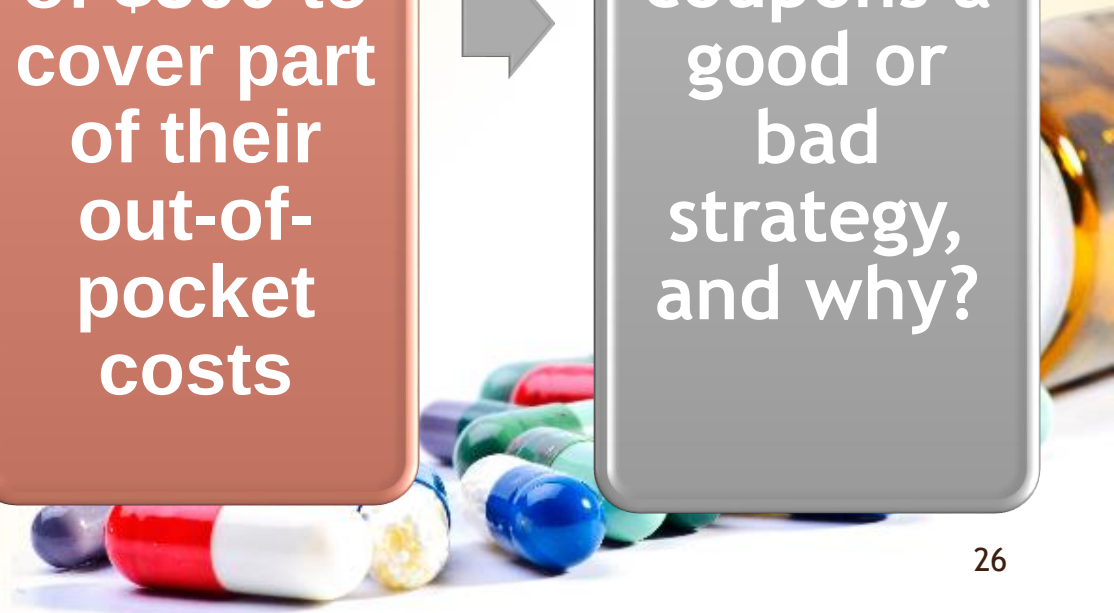
- Christan Royer, Indiana University
- Anu Dhamecha, Community Health Network
- Jason Dohm, Express Scripts Inc.
- Craig Hunter, Eli Lilly Corporation

Question: Indiana University

Mylan increased EpiPen price by 600% from $100 to $600

Mylan offered patients coupons of $300 to cover part of their out-of-pocket costs

From an employer lense, are coupons a good or bad strategy, and why?



Question: Community Health Network

PBM held accountable for pharmacy costs

Health Plan held accountable for medical costs

Do you combine this data to look at TOTAL Health Care costs?

Is this important for determining outcomes of meds?

Question: Express Scripts

What types of innovative contract models (outcomes based, risk type based, utilization based) could play a role in an ACO arrangement in which an ACO enters into shared savings or full risk agreement linked to total cost of care, including pharmacy costs?

What are the Barriers and Challenges (logistic, financial, legal) which limit the ability to implement innovative contacting models?

Question: Eli Lilly

Your thoughts on the following two assertions:

1. Although prices are often justified by the high cost of drug development, there appears to be no evidence of an association between R & D costs and prices; rather, prescription drugs are priced in the United States primarily on the basis of what the market will bear.

2. What innovative strategies are being considered to address high drug costs?