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

Drugs With Big Price Hikes
Some brand medicines for heart problems, skin conditions, high blood pressure, parasite infections, and kidney issues have had enormous price spikes recently on a percentage basis.

<table>
<thead>
<tr>
<th>Drug</th>
<th>Percent Price Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daraprim 25 mg</td>
<td>1860%</td>
</tr>
<tr>
<td>Novacort</td>
<td></td>
</tr>
<tr>
<td>Alcortin A</td>
<td></td>
</tr>
<tr>
<td>Aloque</td>
<td></td>
</tr>
<tr>
<td>Lithostat 250 mg</td>
<td></td>
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<tr>
<td>Zestril 5 mg</td>
<td></td>
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<tr>
<td>Glumetza 1000 mg</td>
<td></td>
</tr>
<tr>
<td>Isuprel 1 ml</td>
<td></td>
</tr>
<tr>
<td>Tenormin 50 mg</td>
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</tbody>
</table>

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
The BIGGER PROBLEM:

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

Humira increased 37%!

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

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

*For each drug listed, the expenditures shown are the total for brand and generic products and for various dosage forms.
*Not calculated because product was not available for entire year in 2014.
Percent Annual Change in Drug Expenditures from 1999-2015

In 2015:
Clinic = 15.9%
Nonfed Hospital = 10.7%
TOTAL = 11.7%

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 Manufacturers: Need their Research and Innovation

Alzheimer's drug clears away sticky plaque in the brain

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

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
How Did We Get Here?

Market exclusivity = protected monopoly for brand drugs

- FDA

Prescribing choices
- Prescribers, payors, patients and policy makers

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

Pharma set prices based on what “market can bear”
- Pharma transparency

The availability of generic drug access is delayed
- FDA

Consolidation of generic manufacturers
- Congress

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

<table>
<thead>
<tr>
<th>Outcomes Based</th>
<th>Risk Type Based</th>
<th>Financial Utilization Based</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Scenario: Full reimbursement for responders, reduced reimbursement for partial responders, and no reimbursement for non-responders</td>
<td>• Scenario: Reimbursement linked to VALUE and level of risk factors (e.g. based on a diagnostic test)</td>
<td>• Scenario: Price volume agreement with full reimbursement for first 10% of patients, reduced reimbursement for next 20% of patients, then no reimbursement</td>
</tr>
</tbody>
</table>
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](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

<table>
<thead>
<tr>
<th>PRICE MEETS BENCHMARK</th>
<th>PRICE EXCEEDS BENCHMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Mandatory inclusion in formulary</td>
<td>• Lower tier or allow exclusion</td>
</tr>
<tr>
<td>• First tier with zero or low co-pay</td>
<td>• Full exercise of step therapy, etc.</td>
</tr>
<tr>
<td>• No prior auth required for providers</td>
<td>• Reimburse up to value-based price</td>
</tr>
<tr>
<td>• Create value-based “pathways”</td>
<td>• Create value-based “pathways”</td>
</tr>
<tr>
<td>• Higher payment for clinicians</td>
<td>• Lower payment for clinicians</td>
</tr>
<tr>
<td>and/or lower out of pocket for</td>
<td>and/or higher out of pocket for patients</td>
</tr>
<tr>
<td>patients</td>
<td></td>
</tr>
<tr>
<td>• Allow entry into pathway for all</td>
<td>• Deny entry into pathway</td>
</tr>
<tr>
<td>drugs meeting value standard</td>
<td></td>
</tr>
</tbody>
</table>
ICER Pilot Opportunities Available to Forum Members

- 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

Move to a value-based formulary
Panel Discussion

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