Managing drug costs: What are the options?

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ICER

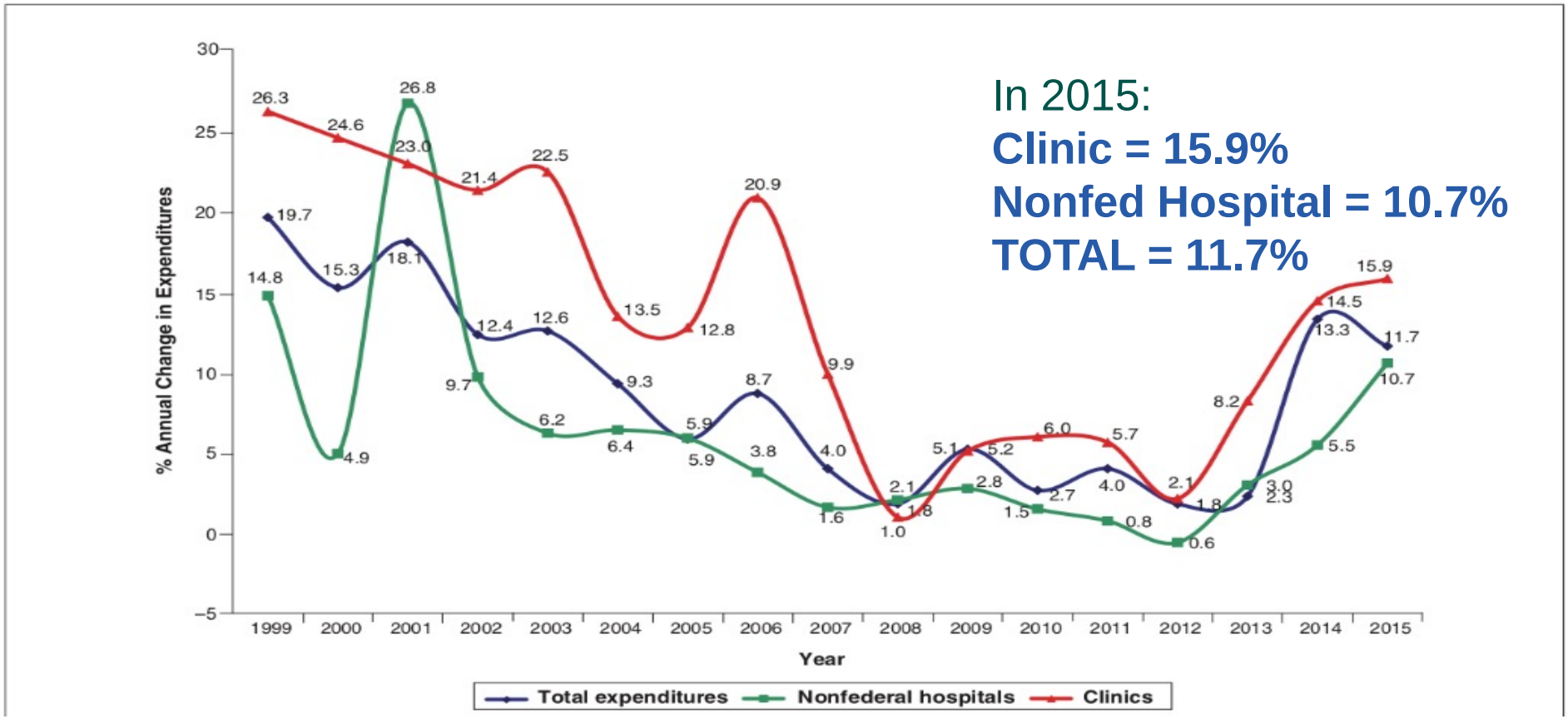
INSTITUTE FOR CLINICAL AND ECONOMIC REVIEW

Institute for Clinical and Economic Review (ICER)

- Independent research group funded by non-profit foundations
- Develop publicly available value assessment reports on medical tests, treatments, and delivery system innovations
- Convene independent appraisal committees for public hearings
  - California Technology Assessment Forum (CTAF)
  - New England Comparative Effectiveness Public Advisory Council (CEPAC)
  - Midwest CEPAC
- Develop and promote broader policies to support value, and help put value-based policies into action

Annual Growth in Drug Expenditures from 1999-2015

Figure 1. Annual growth in drug expenditures, 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 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

Employers Feeling the Crunch

- Willis Towers Watson survey of employers (2016):
  - 87% said rising drug spending is their top health care priority for next 3 years
  - 63% considering different PBM contract terms
  - 61% may adopt new UM for specialty pharma

https://www.willistowerswatson.com/en/insights/2016/12/infographic-employers-act-to-control-pharmacy-trend#.WFrHcQ9z8Q4.twitter

Are there any “shovel-ready” solutions?

Policy menu for fair drug pricing in the US

- Indirectly set price caps through governmental agencies
  - Coverage denial in the UK; by profit caps in France
  - Price caps at lowest governmental price (CA)
  - Governmental consumer protection agency with penalties for “outlier” pricing

Policy menu for fair drug pricing in the US

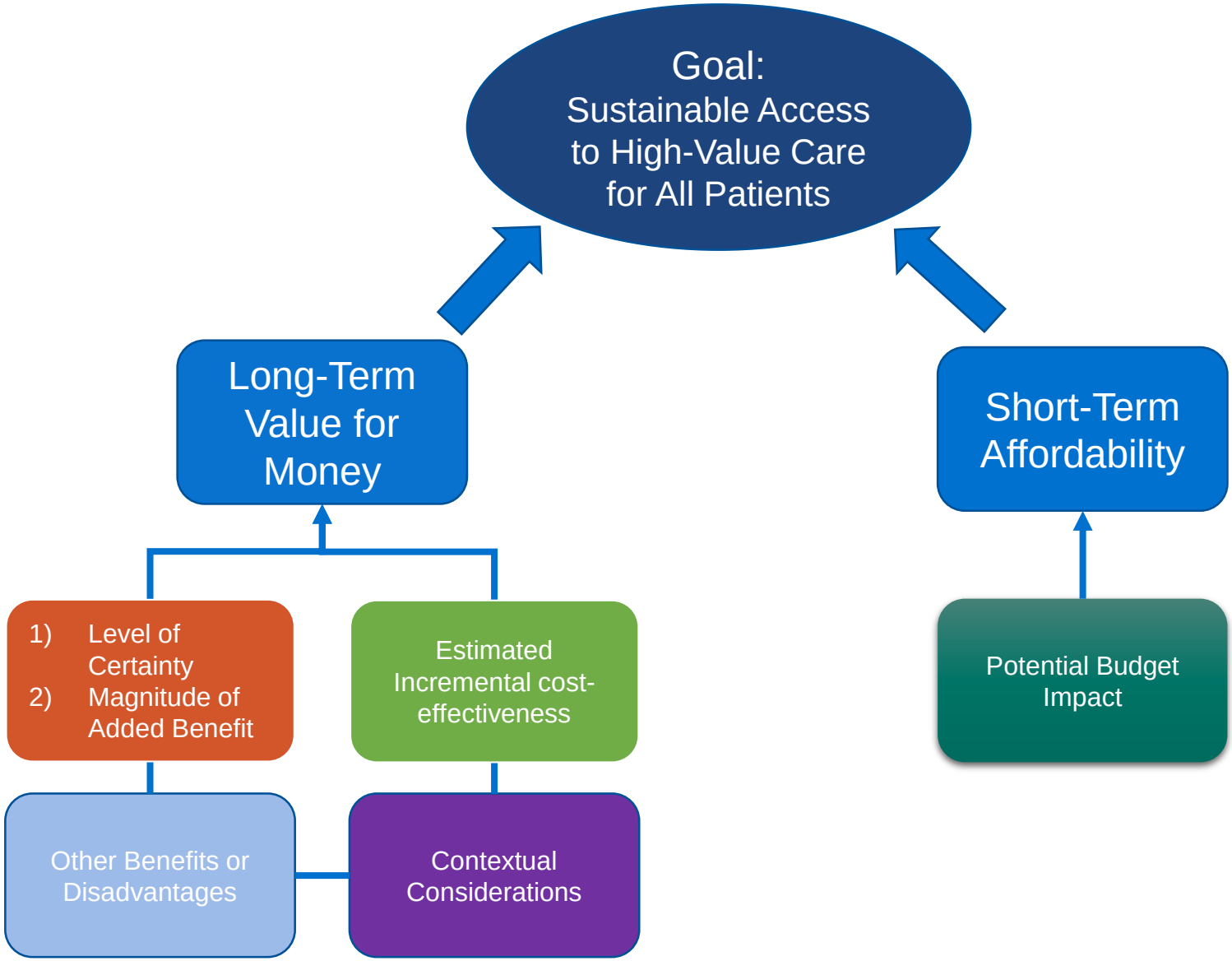
- Indirectly set price caps through governmental agencies
- Link payment to outcomes
  - Outcomes-based contracts
  - Indication-specific pricing

Policy menu for fair drug pricing in the US

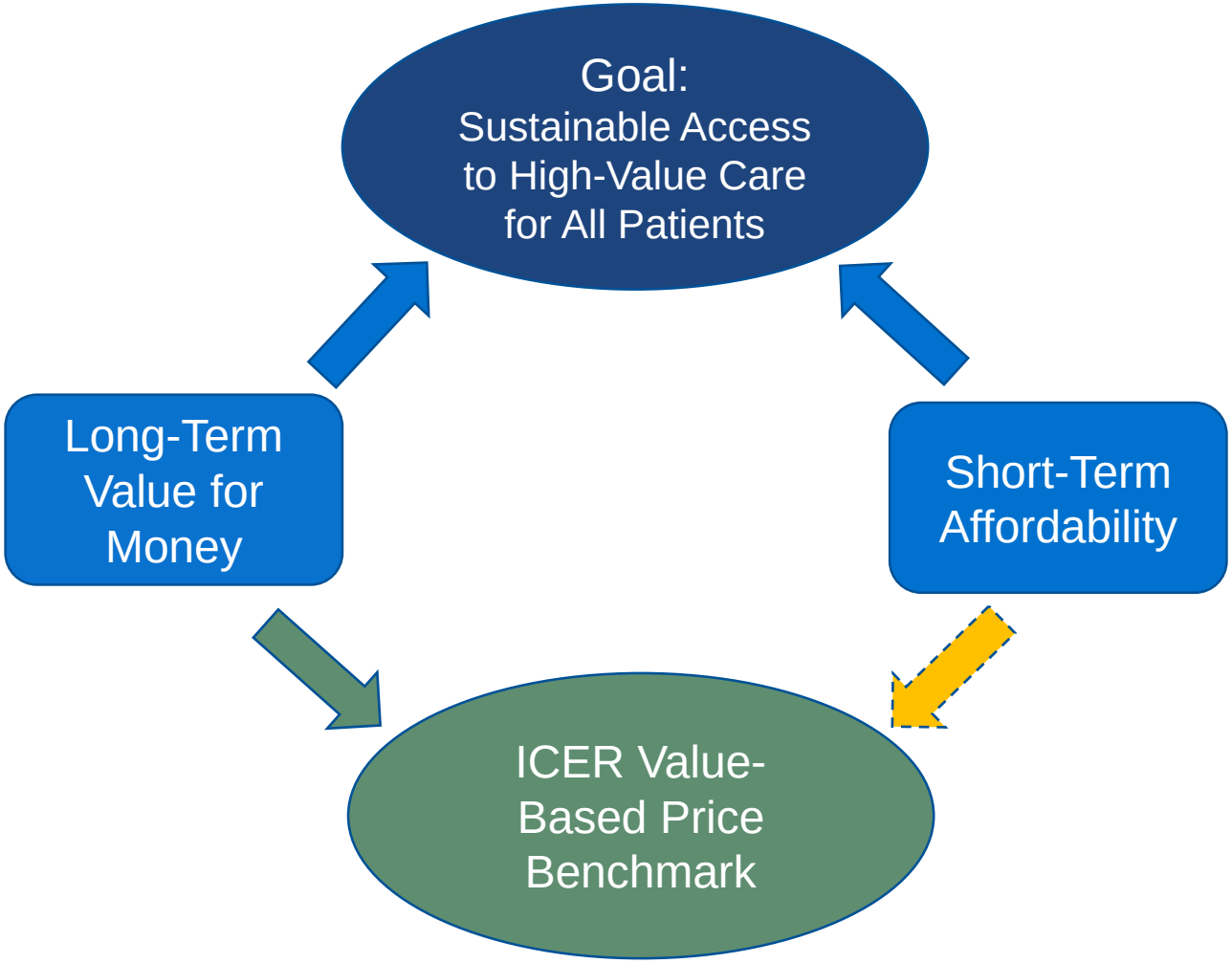
- Indirectly set price caps through governmental agencies
- Link payment to outcomes
- Strengthen the negotiating power of payers
  - Increase the market size of payers (e.g. allow Medicare to negotiate)
  - Allow payers to say “no” more often

Policy menu for fair drug pricing in the US

- Indirectly set price caps through governmental agencies
- Link payment to outcomes
- Strengthen the negotiating power of payers
- Enhance the use of market incentives to reward pricing aligned with value
  - Value assessment and value-based benefit designs



https://icer-review.org/methodology/icers-methods/



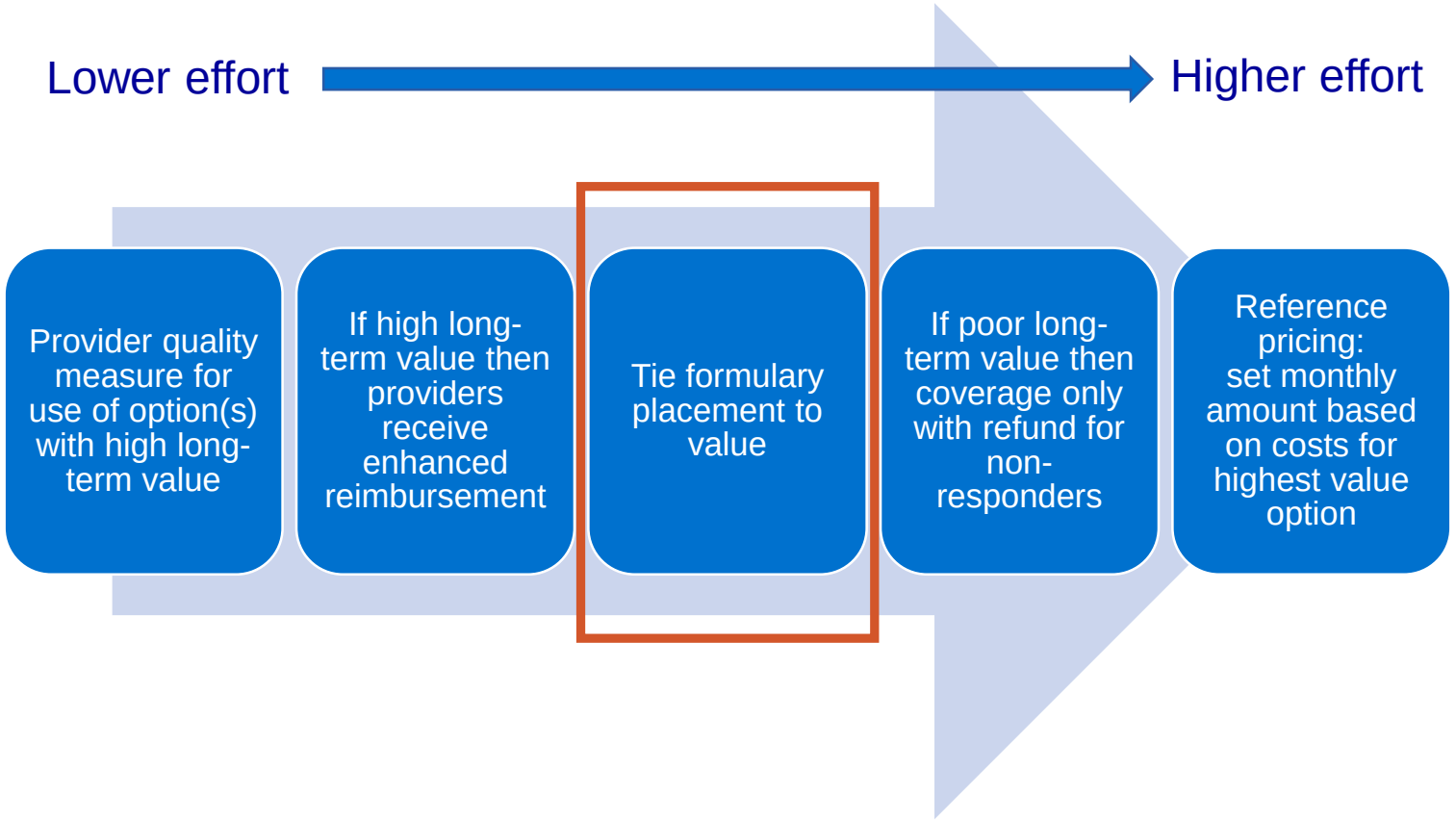
https://icer-review.org/methodology/icers-methods/

ICER Reports and Value-Based Pricing

Drug	Discount (in red) and/or Premium from list price to Meet Long-term Value-based Price Range	Short Term Affordability/Access Alert?
Harvoni	50%-100%	Yes (60%)
PCSK9 inhibitors	(46%-62%)	Yes (85%)
Entresto	100%-200%	Yes (9%)
Kyprolis	(32%-64%)	No
Empliciti	(75%-89%)	No
Ninlaro	(80%-94%)	No
Mepolizumab	(63%-76%)	No
Tresiba	(8%-10%)	No
Obeticholic acid for PBC	(64%-73%)	No
TKIs for lung cancer	(21%) -15%	No
PD-1s for lung cancer	(35%-65%)	No
New agents for psoriasis	(20%) - 15%** from market discounted prices	No

https://icer-review.org/topics/

Medical policies and innovative payment models to support innovative formulary designs



Value-based formulary

ICER Clinical effectiveness rating	Cost relative to clinical value and corresponding formulary status
A (Substantial)	
B/B+ (incremental or better)	
C/C+ (equivalent or better)	
P/I (promising but inconclusive)	
C- (equivalent or inferior)	
I (insufficient evidence)	
D (inferior)	

Red script = poor long-term value

Drug companies have chosen to price far above added value to patients

Value-based formulary: Entresto and PCSK9 drugs

ICER Clinical effectiveness rating	Cost relative to clinical value and corresponding formulary status	Results from ICER reports
A (Substantial benefit)	= or $ = Preferred	
	$$-$$$ = Co-pay	
	$$$$ = Co-insurance	
B/B+ (incremental or better)	= = Preferred	
	$-$$ = Co-pay	Entresto
	$$$-$$$$ = Co-insurance	Repatha, Praluent (for FH)
C/C+ (equivalent or better)	= or $ = Co-pay	
	$$-$$$$ = Co-insurance	
P/I (promising but inconclusive)	= or $ = Co-insurance or Non-covered	
	$$-$$$$ = Non-covered	Repatha, Praluent (secondary prevention)
C- (equivalent or worse)	Equal-$$$$ Non-covered or Co-insurance	

Price thresholds to achieve different formulary placement included in ICER reports

See Report-at-a-Glance on https://icer-review.org/topic/high_cholesterol/
See Report-at-a-Glance on https://icer-review.org/topic/congestive-heart-failure/

Value-based formulary: Asthma and Diabetes

ICER Clinical effectiveness rating	Cost relative to clinical value and corresponding formulary status	Results from ICER reports
A (Substantial benefit)	= or $ = Preferred	
	$$-$$$ = Co-pay	
	$$$$ = Co-insurance	
B/B+ (incremental or better)	= = Preferred	
	$-$$ = Co-pay	
	$$$-$$$$ = Co-insurance	
C/C+ (equivalent or better)	= or $ = Co-pay	
	$$-$$$$ = Co-insurance	Nucala
P/I (promising but inconclusive)	= or $ = Co-insurance or Non-covered	Tresiba
	$$-$$$$ = Non-covered	
C- (equivalent or worse)	Non-covered or Co-insurance	

Price thresholds to achieve different formulary placement included in ICER reports

See Report-at-a-Glance on https://icer-review.org/topic/asthma/
See Report-at-a-Glance on https://icer-review.org/topic/diabetes-mellitus/

Value-based formulary: Drugs for NSCLC

ICER Clinical effectiveness rating	Cost relative to clinical value and corresponding formulary status	Results from ICER reports
A (Substantial benefit)	= or $ = Preferred	
	$$-$$$ = Co-pay	
	$$$$ = Co-insurance	Opdivo, Keytruda, Tecentriq (2nd line)
B/B+ (incremental or better)	= = Preferred	
	$-$$ = Co-pay	
	$$$-$$$$ = Co-insurance	Gilotrif, Iressa, Tarceva
C/C+ (equivalent or better)	= or $ = Co-pay	
	$$-$$$$ = Co-insurance	
P/I (promising but inconclusive)	= or $ = Co-insurance or Non-covered	
	$$-$$$$ = Non-covered	
C- (equivalent or worse)	Non-covered or Co-insurance	

Price thresholds to achieve different formulary placement included in ICER reports

See Report-at-a-Glance on https://icer-review.org/topic/nsclc/

Value-based formulary: Psoriasis

ICER Clinical effectiveness rating	Cost relative to clinical value and corresponding formulary status	Results from ICER reports
A (Substantial benefit)	= or $ = Preferred	
	$$-$$$ = Co-pay	Otezla, Remicade, Cosentyx, Humira, Enbrel, Taltz, Stelara
	$$$$ = Co-insurance	
B/B+ (incremental or better)	= = Preferred	
	$-$$ = Co-pay	
	$$$-$$$$ = Co-insurance	
C/C+ (equivalent or better)	= or $ = Co-pay	
	$$-$$$$ = Co-insurance	
P/I (promising but inconclusive)	= or $ = Co-insurance or Non-covered	
	$$-$$$$ = Non-covered	
C- (equivalent or worse)	Non-covered or Co-insurance	

Price thresholds to achieve different formulary placement included in ICER reports

See Report-at-a-Glance on https://icer-review.org/topic/psoriasis/

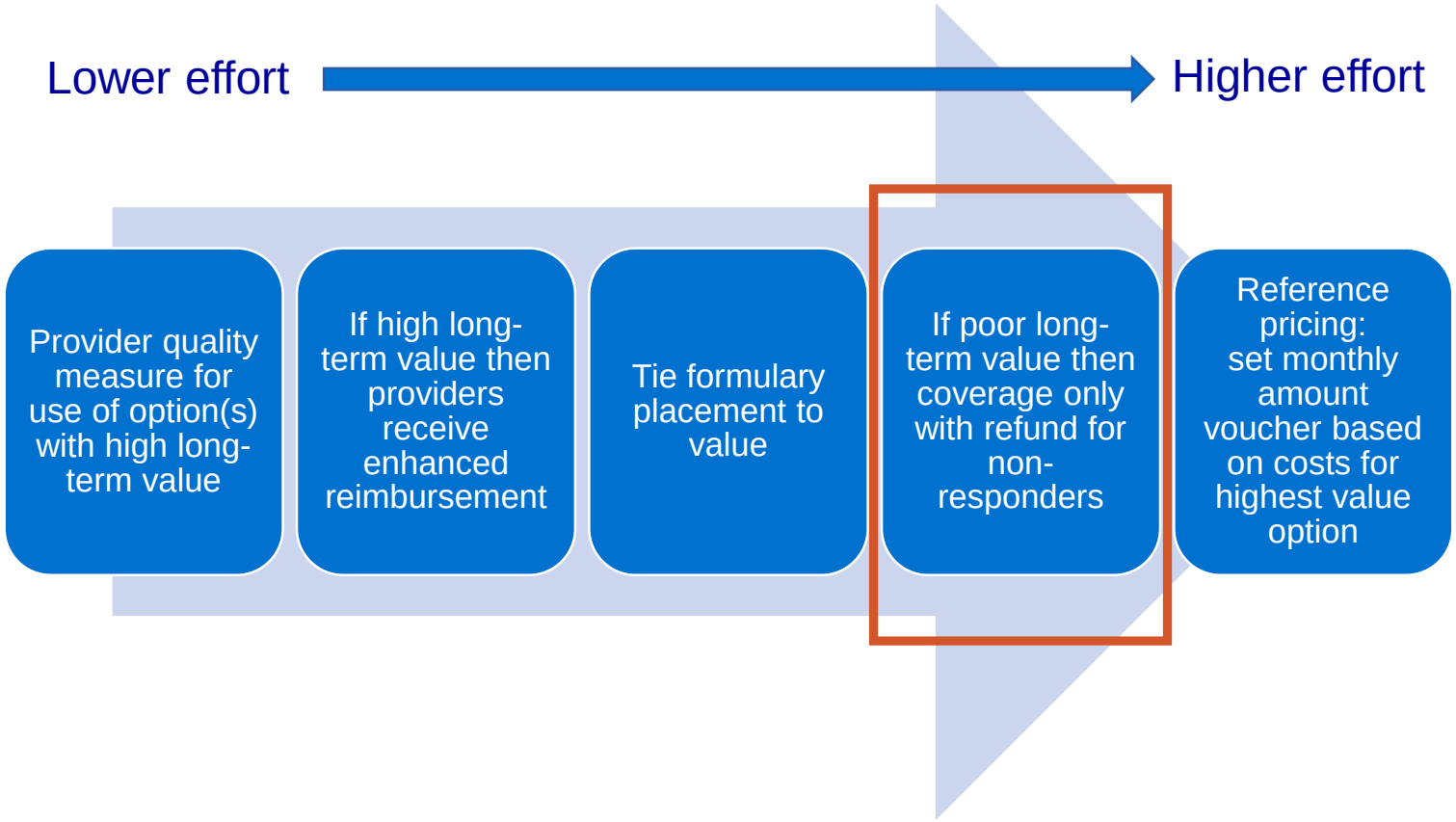
Value-based formulary: Multiple Sclerosis (draft)

ICER Clinical effectiveness rating	Cost relative to clinical value and corresponding formulary status	Results from ICER reports
A (Substantial benefit)	= or $ = Preferred	
	$$-$$$ = Co-pay	Lemtrada
	$$$$ = Co-insurance	Tysabri
B/B+ (incremental or better)	= = Preferred	
	$-$$ = Co-pay	
	$$$-$$$$ = Co-insurance	All other MS drugs
C/C+ (equivalent or better)	= or $ = Co-pay	
	$$-$$$$ = Co-insurance	
P/I (promising but inconclusive)	= or $ = Co-insurance or Non-covered	
	$$-$$$$ = Non-covered	
C- (equivalent or worse)	Non-covered or Co-insurance	

Price thresholds to achieve different formulary placement included in ICER reports

See https://icer-review.org/topic/multiple-sclerosis/

Medical policies and innovative payment models to support innovative formulary designs



Outcomes-based Contracts

- Example: If poor long-term value then coverage only with refund/rebate for non-responders
  - Requires willing pharma partner
  - Need mechanism for accurately tracking, and agreeing on, outcomes
  - Prepare for additional administrative effort
  - Beware of implications for Medicaid best price and average sales price (ASP)
  - Consider how to be sure patients share in the refund/rebate

Outcomes-based Contract with ICER Report

- New cholesterol-lowering drugs, PCSK9 inhibitors
- Public panel voted low long-term value for money (46%-62% discount needed)
- Health plan in Massachusetts:
  - Negotiated steep discount
  - Mfr agreed to refund cost of drug if LDL not lowered to levels in FDA label
  - Payer does not have to pay for drug if utilization is above pre-determined level

https://www.bostonglobe.com/business/2015/11/08/harvard-pilgrim-strikes-pay-for-performance-deal-for-cholesterol-drug/iGIV7rBie4K20HNbKORsPJ/story.html

Action agenda for employers

1. If working directly with PBMs, re-examine contracts to assure incentives are aligned and PBM revenue is not tied solely to higher list prices.

2. Ask benefit consultants, PBMs, and/or health plan administrator(s) to develop options for a benefit design and associated medical policies that take advantage of independently produced drug assessment reports.
   - Value-based formulary designs
   - Outcomes-based contracts

3. Engage with state governments and other policymakers to keep focusing on broader policy changes that will help private market efforts to keep initial pricing and price increases for older drugs within reasonable bounds.

Future Drug Report Topics in the Pipeline

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

https://icer-review.org/topics/

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