Policy Options for Greater Value from Prescription Drugs

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Greater Value from Prescription Drugs

• Distinct Policy Issues for Different Types of Drugs
  – Oral Drugs (Medicare Part D)
  – IV/Physician-Administered Drugs (Medicare Part B)
  – Generic Drugs
  – Biosimilars

• Increasing Access and Innovation: Value-Based Payments for Drugs
  – Price negotiation based on value not volume

• Aligning Drug Payments with Alternative Payment Models

• Better Evidence on the Value of Pharmaceuticals
Drug Payments Based on Prior Evidence

• Formulary Design (oral drugs)

• Indication-Specific Pricing
  – Bach: Substantial variation in apparent drug value, especially for physician-administered drugs*
  – Adjust price by indication

• Examples
  – Express Scripts Oncology Care Value (OCV) Program
  – CMS Part B drug payment reform proposal
  – "Preferred" physician-administered drugs

• Implementation Issues
  – Developing measures of value/cost-effectiveness
  – Tracking use by indication

*Peter Bach, JAMA 2014
Results-Based Payment Models

• Drug payment/rebates linked to measures of quality and outcomes
• Reflects trend toward precision medicine, with drug value increasingly dependent on patient features, adherence, other treatments
• Growing range of examples
  – Repatha/ Amgen and CVS
  – Entresto/ Novartis and Cigna and Aetna
  – Januvia/ Merck and Cigna
  – More examples outside US
• Implementation issues
  – Medicaid/340B/other best price regulations
  – Antikickback regulations
  – Part D integration or \textit{shared savings} mechanisms
  – Part B coverage requirements
  – Benefit design alignment
  – Provider payment reform alignment
  – FDA off-label communications restrictions
Value-Based Insurance Design for Pharmaceuticals

- Extension of current commonly-used tiers to better reflect value: generics, preferred brands, non-preferred brands, specialty

- Difficult to implement in the absence of formularies (i.e., physician-administered drugs require selective contracts)
Framework for Alternative Payment Models

Category 1
Fee for Service – No Link to Quality & Value
A: Foundational Payments for Infrastructure
B: Pay for Reporting
C: Rewards for Performance
D: Rewards and Penalties for Performance

Category 2
Fee for Service – Link to Quality & Value
A: APMs with Upside Gainsharing
B: APMs with Upside Gainsharing/Downside Risk

Category 3
APMs Built on Fee-for-Service Architecture
A: APMs with Upside Gainsharing
B: APMs with Upside Gainsharing/Downside Risk

Category 4
Population-Based Payment
A: Condition-Specific Population-Based Payment
B: Comprehensive Population-Based Payment
CMS Oncology Care Model

Source: Centers for Medicare & Medicaid Services

Source: https://innovation.cms.gov/initiatives/oncology-care/
Addressing Part B Oncology Shortfall with Shift from Volume-Based

Source: Jain et al, 2016
Potential Alignment of Drug Payments with Alternative Payment Models

- Drug manufacturer contracts to share in overall accountability and financial risks in alternative payment models (APMs)
- Aligns drug payment with opportunities for savings and value in overall care
- Similar technical and regulatory obstacles as results-based drug payments – but directly reinforces provider payment reforms
  - Precedents for financial alignment in advanced ACOs and other advanced alternative payment models
- CMS could support model frameworks rather than negotiating direct contracts
Additional Slides
Need for Better Evidence on Value of Drugs

• Patient perspective on value of treatment: quality of life, clinical benefits, meaningful outcomes along with costs

• Requires development and use of richer patient-reported information and additional sources of evidence

• Improvement of measurement through applications in practice
Opportunities and Incentives for Better Real-World Evidence on Pharmaceuticals

• Growing opportunities for developing better evidence related to drug risks, benefits, and overall cost impacts for particular types of patients
  – Improving infrastructure for such evidence
  – Improving statistical methods for assessing impact of drugs, e.g. comparing impacts of variations in formularies
  – Complements value-based payment reforms and shift toward personalized medicine

• Payment could be linked to development of data and evidence on drug use in real-world populations
  – Examples of Coverage with Evidence Development for devices: Registries for Transcatheter Valve Replacement, Automatic Implantable Cardioverter Defibrillators
Contributors to Drug Spending Growth

Source: IMS Health, National Sales Perspectives, Jan 2016
Brand Drug Price Growth

Source: IMS Health, National Sales Perspectives, IMS Institute for Healthcare Informatics, Mar 2016