

# Policy Options for Greater Value from Prescription Drugs

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# Greater Value from Prescription Drugs

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- 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

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- 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

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- 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

# Results-Based Payment Models - 2

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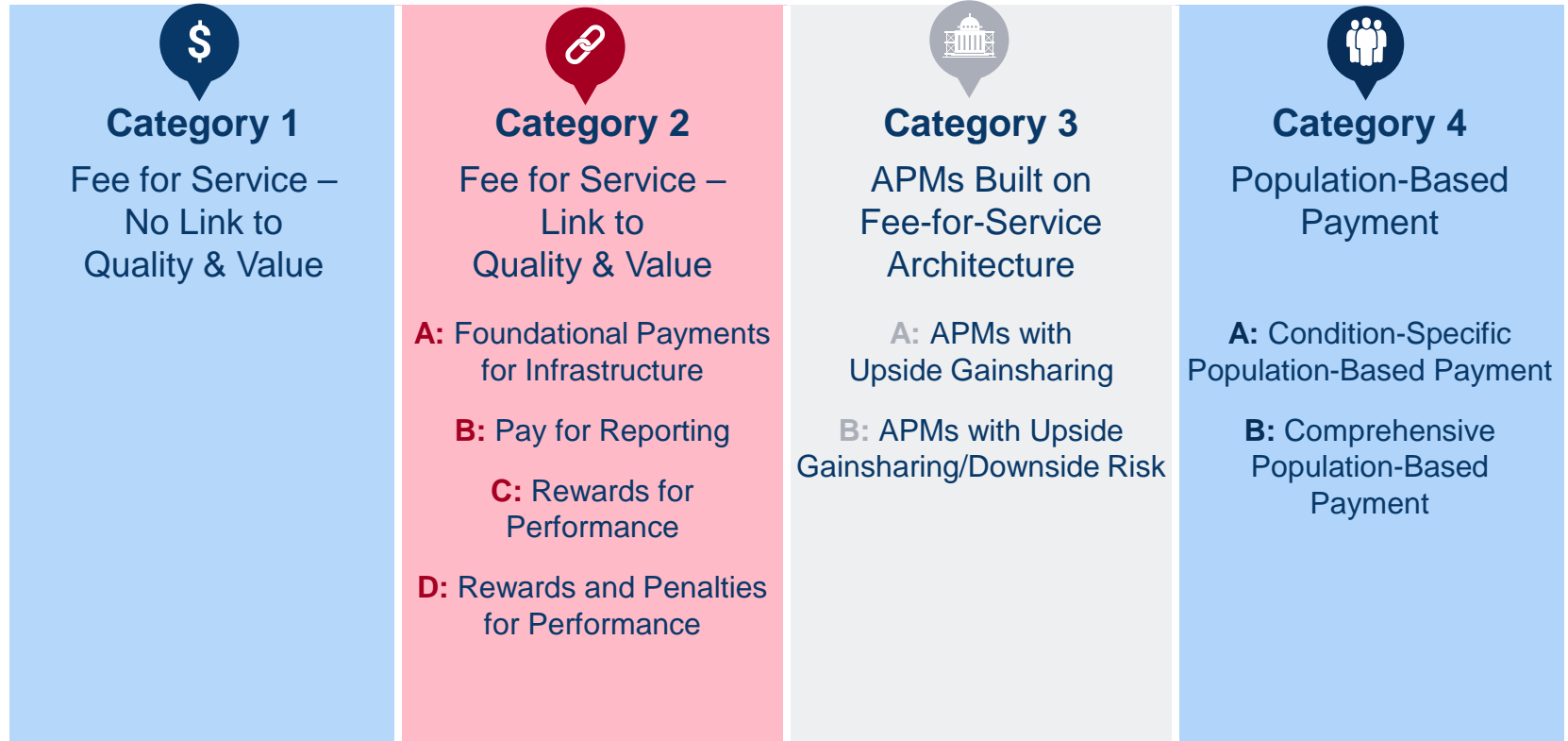
- Implementation issues
  - Medicaid/340B/other best price regulations
  - Antikickback regulations
  - Part D integration or *shared savings* mechanisms
  - Part B coverage requirements
  - Benefit design alignment
  - Provider payment reform alignment
  - FDA off-label communications restrictions

# Value-Based Insurance Design for Pharmaceuticals

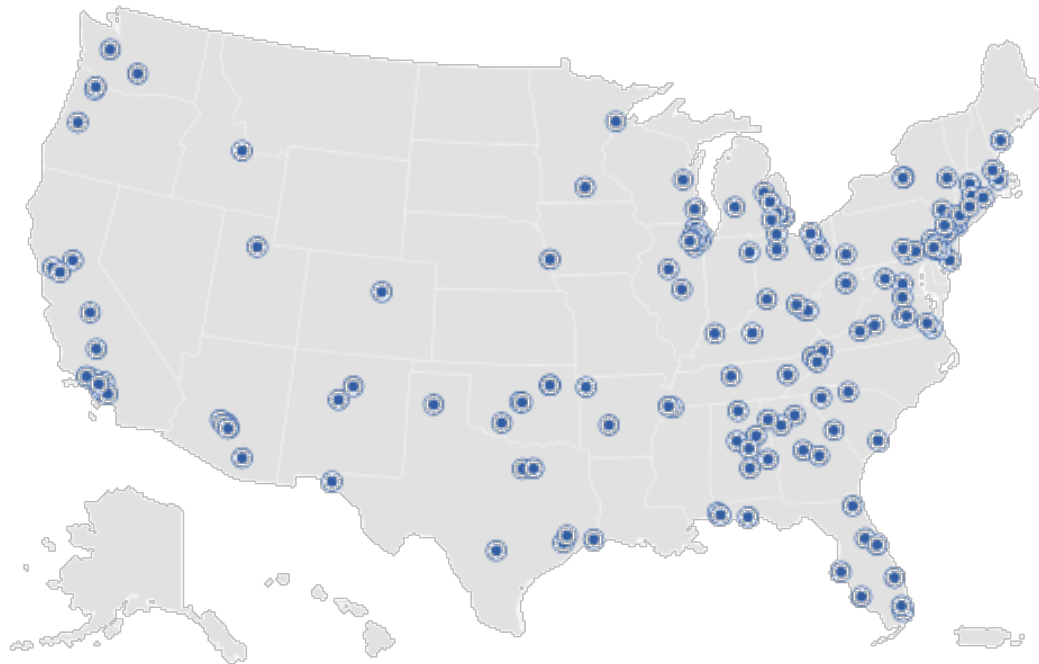
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- Extension of current commonly-used tiers to better reflect value: generics, preferred brands, non-preferred brands, specialty
- Difficult to implement in the absence of formularies (i.e., physician-administered drugs require selective contracts)

# Framework for Alternative Payment Models



# CMS Oncology Care Model

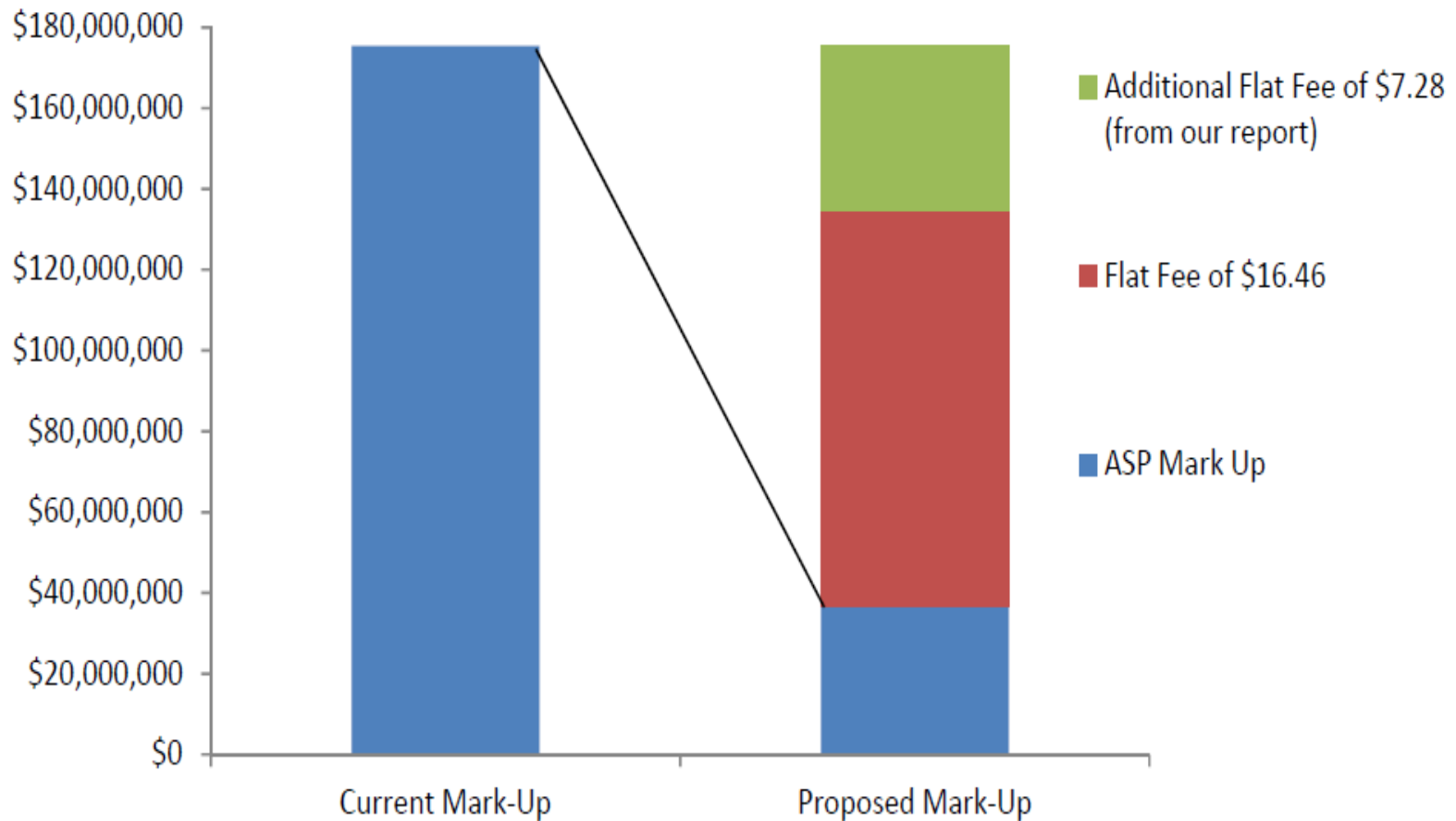


Source: Centers for Medicare & Medicaid Services

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

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- 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

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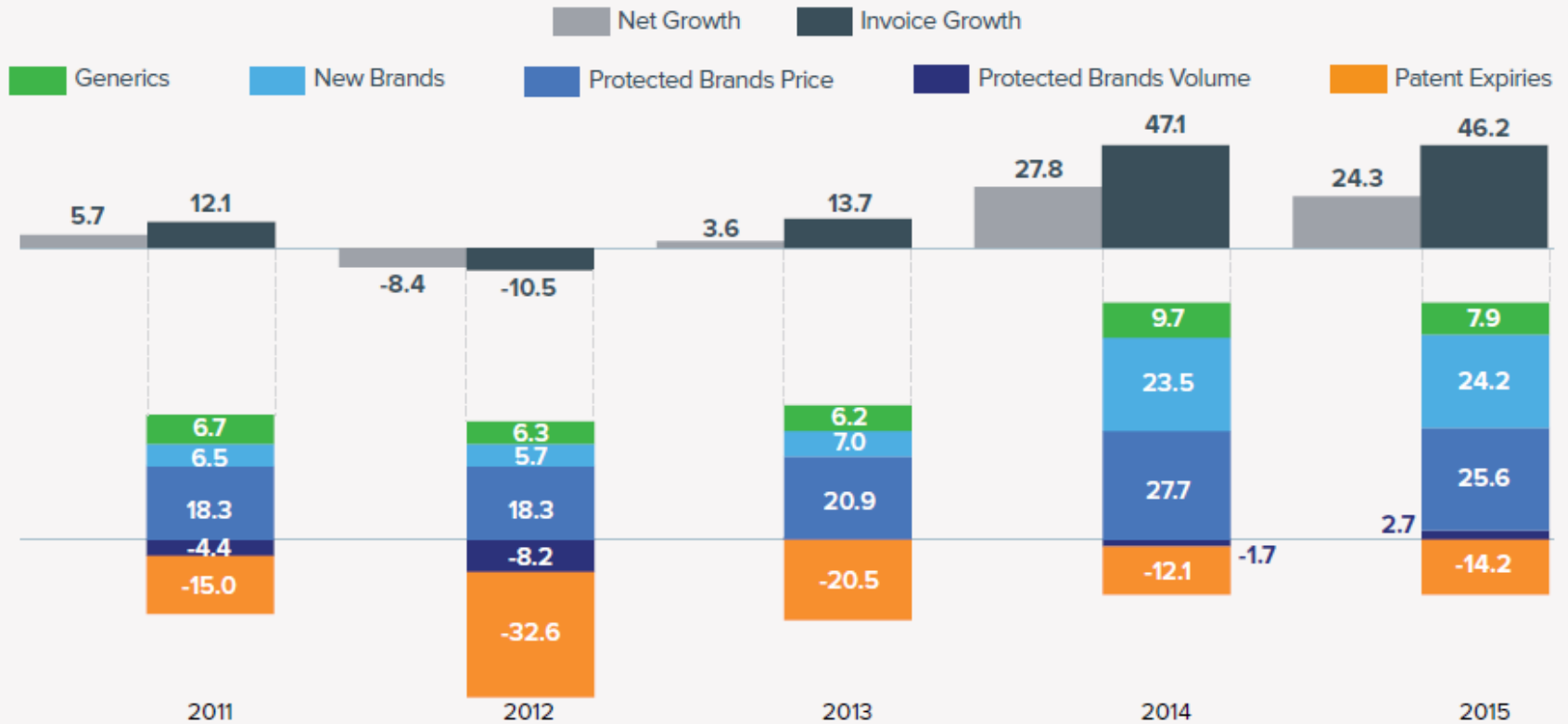
- Patient perspective on value of treatment: quality of life, clinical benefits, meaningful outcomes along with costs
- Requires development and use of richer patient-reported information and additional sources of evidence
- Improvement of measurement through applications in practice

# Opportunities and Incentives for Better Real-World Evidence on Pharmaceuticals

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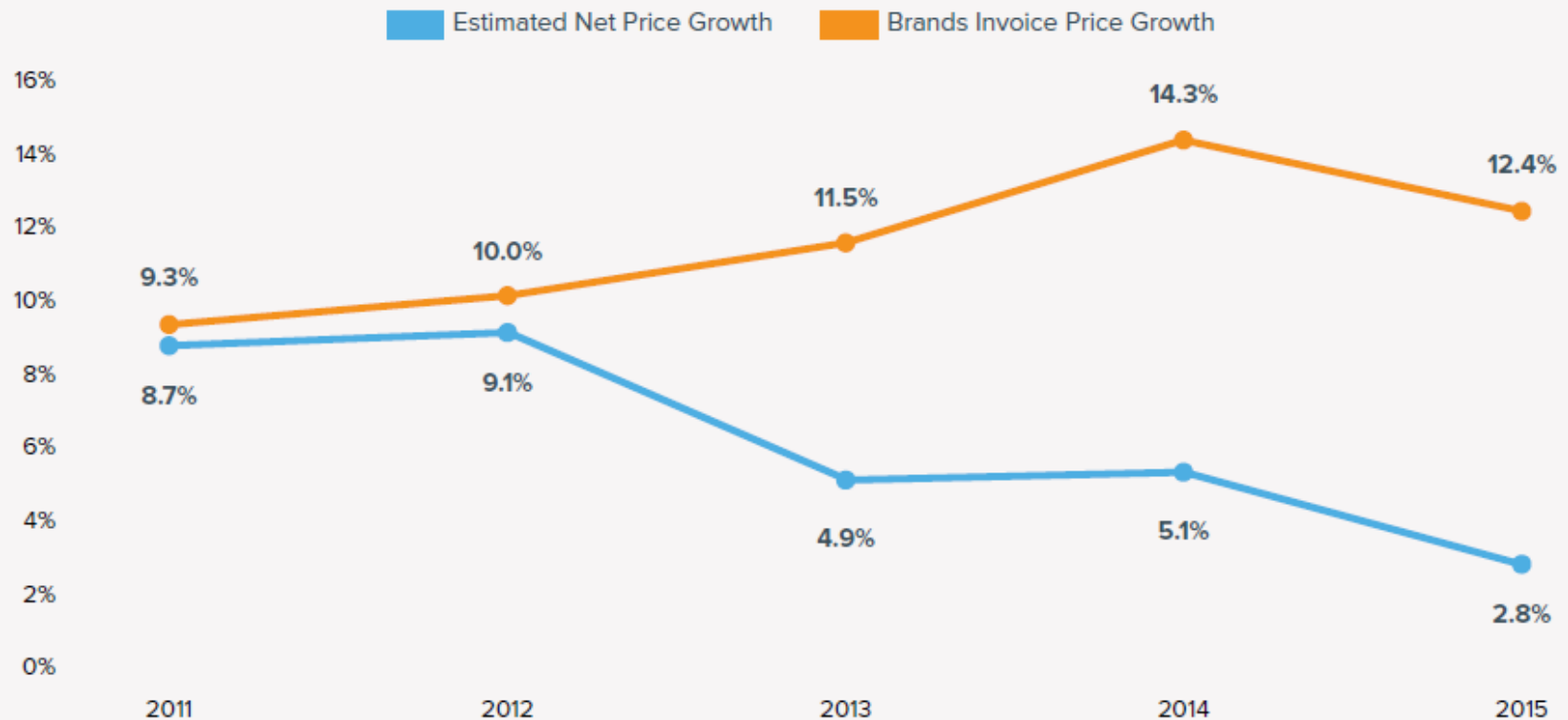
- Growing opportunities for developing better evidence related to drug risks, benefits, and overall cost impacts for particular types of patients
  - Improving infrastructure for such evidence
  - Improving statistical methods for assessing impact of drugs, e.g. comparing impacts of variations in formularies
  - 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