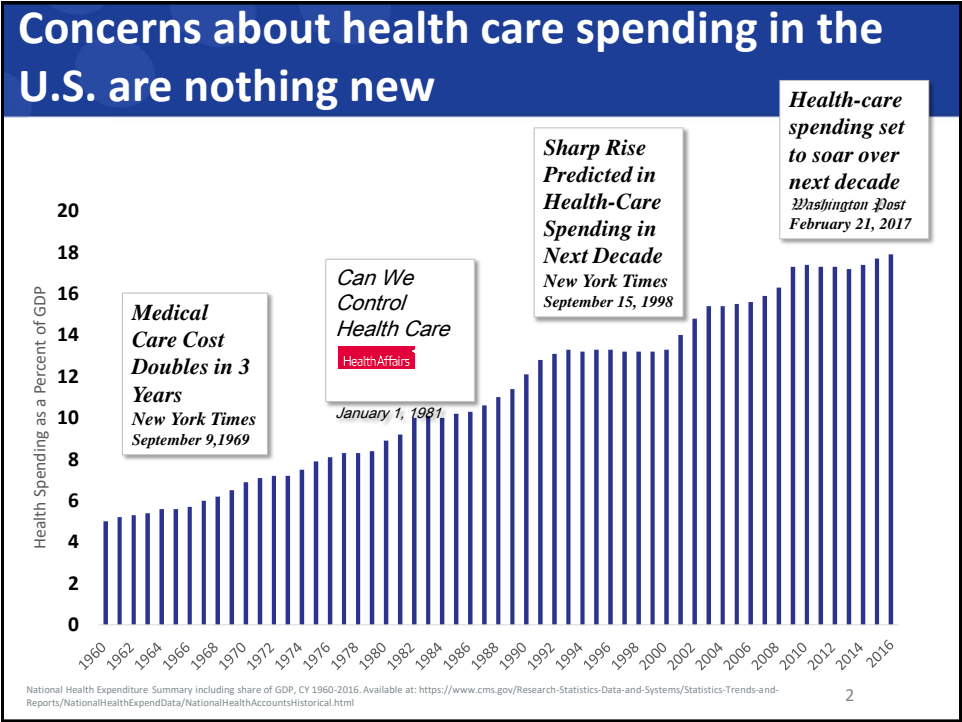


# Health Care Costs in America

Dan Leonard, MA  
President, The National Pharmaceutical Council





## Perspectives on health spending diverge – even when using the same data

HEALTH AFFAIRS BLOG

### “National Health Expenditure Report Shows We Have Not Solved The Cost Problem”

December 6, 2017

Joseph R. Antos, James C. Capretta

AMA | AMA Wire


### “Growth in health spending slows in post- ACA era”

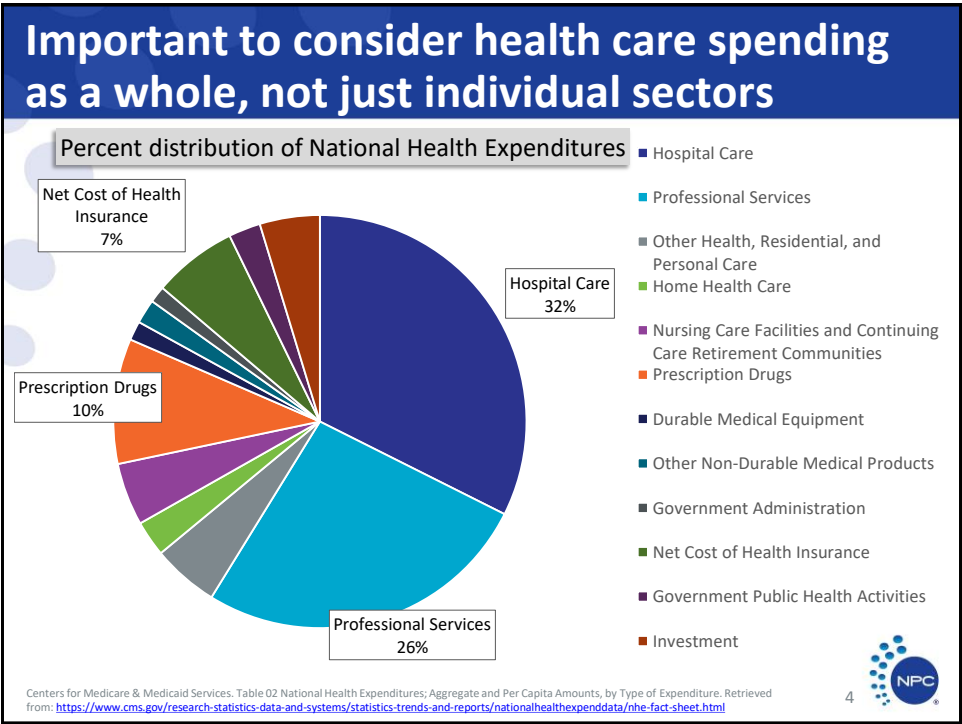
May 03, 2018

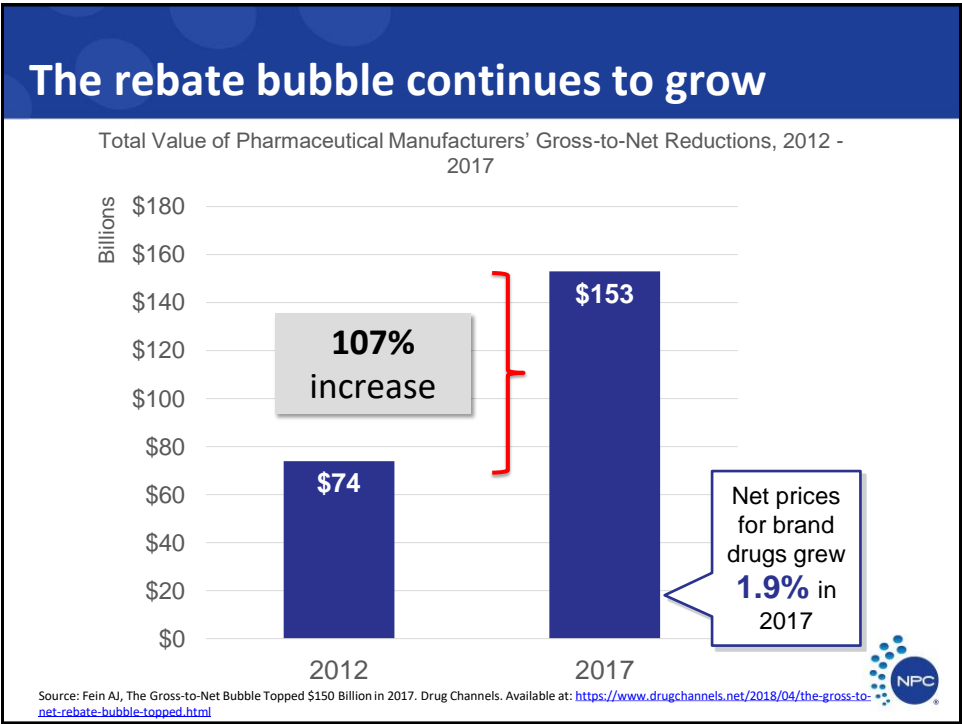
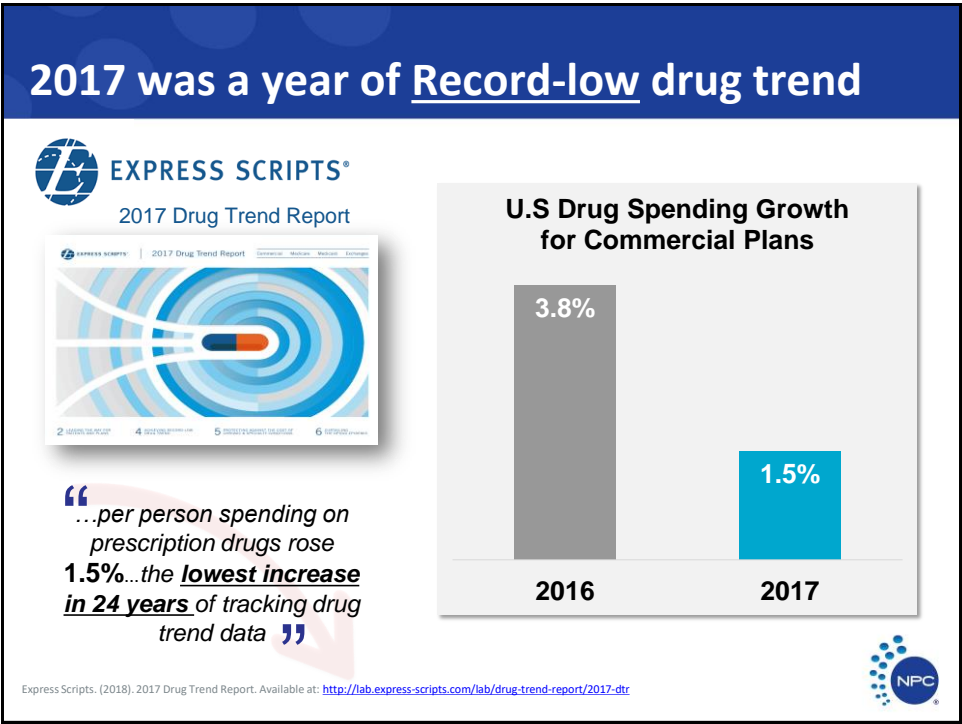
Andis Robeznieks

Antos JR, Capretta JC. (2017). National Health Expenditure Report Shows We Have Not Solved The Cost Problem. Available at: <https://www.healthaffairs.org/doi/10.1377/hblog20171205.607294/full/>

Robeznieks A. (2018). Growth in health spending slows in post-ACA era. Available at: <https://wire.ama-assn.org/ama-news/growth-health-spending-slows-post-aca-era>







# As concerns about spending intensify, there's growing interest in value-based contracts

## Value-based contracts key to solving U.S. drug pricing 'crisis'

By [Shelby Livingston](#) | June 9, 2017

## Health Plans Are Actively Exploring Outcomes-Based Contracts

[Sung Hee Choe](#), [Colleen Leach](#) | May 30, 2017

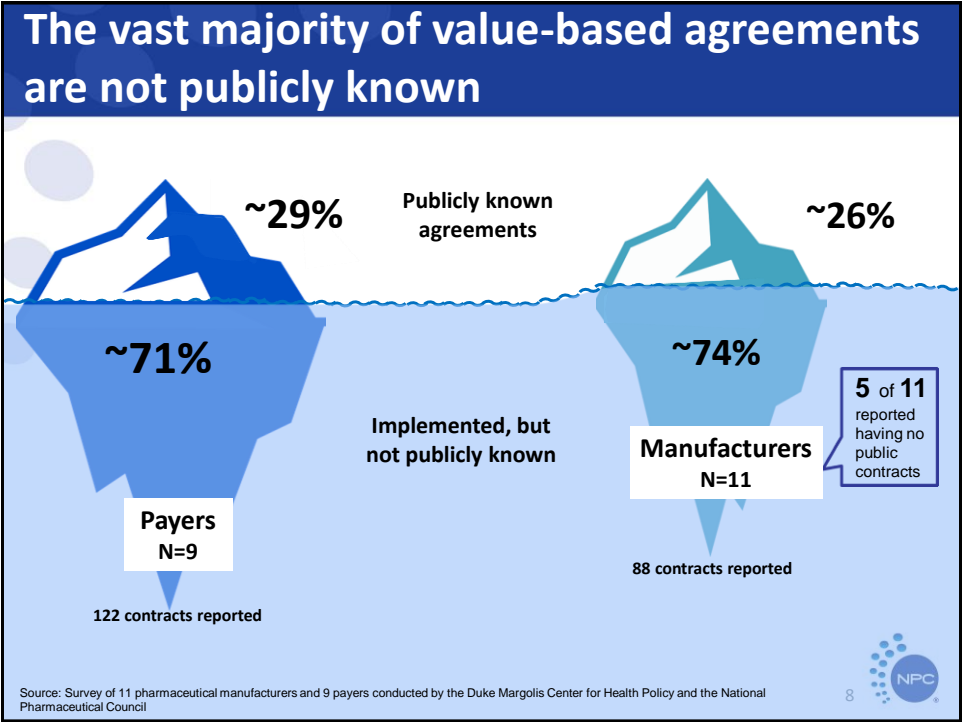
ISSUE BRIEF  
SEPTEMBER 2017

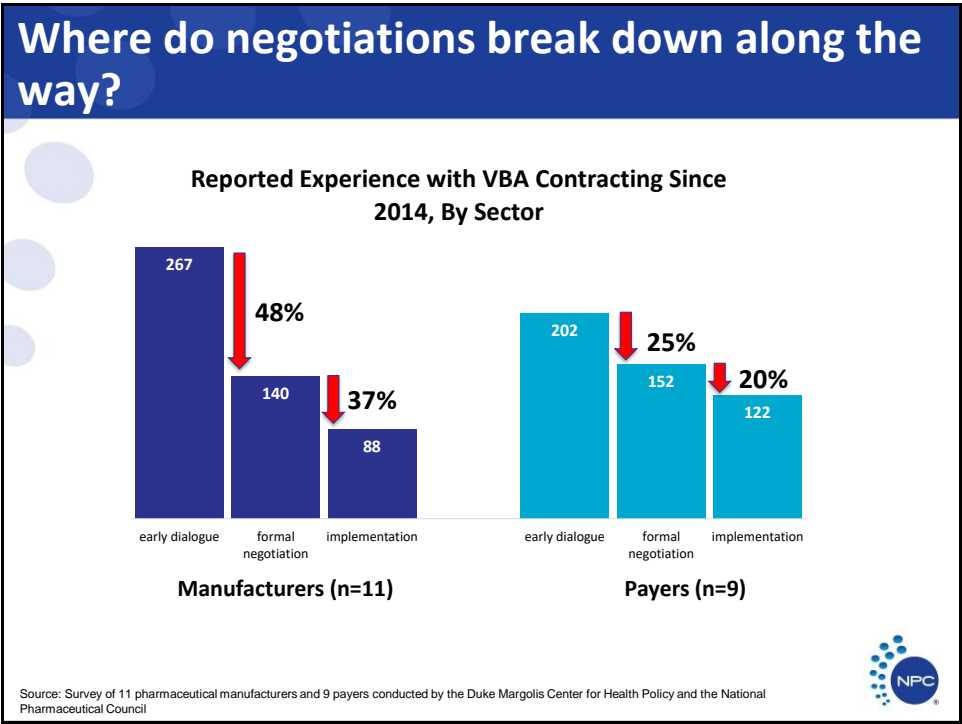
## Outcomes-Based Pharmaceutical Contracts: An Answer to High U.S. Drug Spending?

[Elizabeth Seeley](#) and [Aaron S. Kesselheim](#)

Source: Livingston S. Value-based contracts key to solving U.S. drug pricing 'crisis'. <http://www.modernhealthcare.com/article/20170609/NEWS/170609875>. Published June 2017. Accessed January 2018.  
Leach C, Hee Choe S. Health plans are actively exploring outcomes-based contracts. <http://avalere.com/expertise/life-sciences/insights/health-plans-are-actively-exploring-outcomes-based-contracts>. Published May 2017. Accessed January 2018.  
Seeley E, Kesselheim AS. Outcomes-based pharmaceutical contracts: an answer to high U.S. drug spending? <http://www.commonwealthfund.org/publications/issue-briefs/2017/sep/outcomes-based-contracts-high-drug-spending> September 2017. Accessed January 2018.







### Regulatory Barriers Impair Alignment of Biopharmaceutical Price and Value

- Recent FDA Guidance on pre-approval communication will help with value-based contracting
- Create a carve-out so that Medicaid’s best price caps do not apply to value-based contracts.
- Remove Medicare’s ASP as a barrier to indication-based contracting to align medication value with net price.
- Provide an anti-kickback safe harbor for value-based contracts.

National Pharmaceutical Council, April 2018. Regulatory Barriers Impair Alignment of Biopharmaceutical Price and Value. Available at: <https://www.npcnow.org/publication/regulatory-barriers-impair-alignment-biopharmaceutical-price-and-value>

## What factors make contracts more likely to succeed?

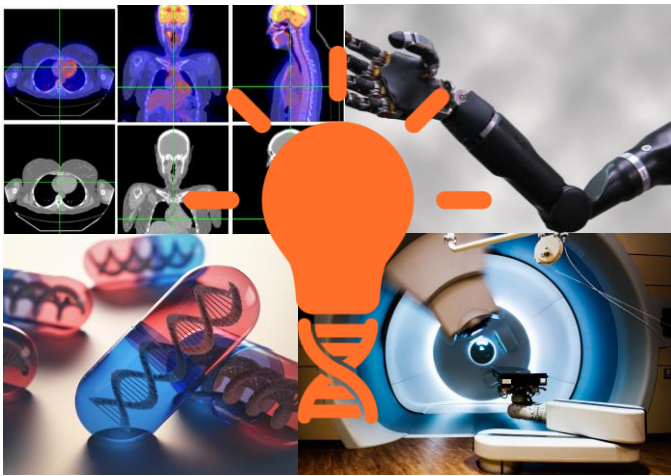
### Five Most Important Negotiation and Implementation Factors (Ranked 1-5)

Manufacturers	Payers
<ul style="list-style-type: none"><li>• Partners had the necessary data collection &amp; analysis capabilities</li><li>• <b>Measurable outcomes clearly tied to product use</b></li><li>• <b>Target patient population easily identified in claims</b></li><li>• <b>Administrative burden is reasonable</b></li><li>• Partners committed to the agreement</li></ul>	<ul style="list-style-type: none"><li>• <b>Measurable outcomes clearly tied to product use</b></li><li>• Target drug has a potentially high budget impact</li><li>• <b>Target patient population easily identified in claims</b></li><li>• Timeline for collection and analysis is reasonable</li><li>• <b>Administrative burden is reasonable</b></li></ul>


N=11 pharmaceutical manufacturers and 9 payers conducted by the Duke Margolis Center for Health Policy and the National Pharmaceutical Council



## There's a desire for innovation... But concerns about the price tag



[http://www.massdevice.com/wp-content/uploads/files/story\\_art/petctmedicalimagingcans3x2.jpg](http://www.massdevice.com/wp-content/uploads/files/story_art/petctmedicalimagingcans3x2.jpg)  
<http://www.bdtglobal.com/product/prosthetics/>  
Photo by Jonathan Zizzo for O Magazine. <http://healthcaredmagazine.com/2015/11/11/irvings-texas-center-for-proton-therapy-treats-its-first-patients/>  
<http://www.bdtglobal.com/product/prosthetics/>



We've started spending debates in the past...



1979



1993



2009

13



The new approach will not be easy

Willingness-to-pay

Value

Affordability

Ethical Considerations

Trade-offs

Holistic View

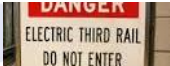
Prioritization

Health vs. Non-health


Budget Impact




# What we need to do:




Acknowledge that these are third rail issues




Bring all stakeholders into the dialogue



Stop finger pointing




Come together




Go below the surface to examine issues


[http://www.blacksunplc.co.uk/content/black-sun/corporate-comms/en/insights/perspectives/a-conversation-with-simon-clow/\\_jcr\\_content/image.img.png/1461951810583.png](http://www.blacksunplc.co.uk/content/black-sun/corporate-comms/en/insights/perspectives/a-conversation-with-simon-clow/_jcr_content/image.img.png/1461951810583.png)  
<https://media-exp2.licdn.com/mpr/AAEAAQAAAAAAAAAd3AAAAJG5MTE5M2RkLWYyZGUtNGY2MC1lMzBjLTNkNWwNINWE3MTgzQ.jpg>

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# Going Below the Surface Forum






[www.goingbelowthesurface.org](http://www.goingbelowthesurface.org)

- **Mission:** Have a sustained, productive, and informed **dialogue** with all **stakeholders** to address challenging questions about **spending**
- **Goal:** Provide clarity on how best to **optimize health care spending** so that patients receive the **right care** while simultaneously providing the right incentives to **sustain next-generation innovation** to improve patient well being and health system efficiencies
- **Phased Approach**
  - Determine key questions
  - Identify answers
  - Offer solutions

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# Health Care Costs in America

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