

ENSURING ACCESS TO PRESCRIPTION DRUG-BASED CURES: ECONOMIC CHALLENGES AND OPPORTUNITIES

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Science, Policy and Potential of Cell and Gene Therapies

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<h2>MY AGENDA</h2>
<ul style="list-style-type: none">• Review 3 economic challenges to getting people access to needed, valuable prescription drug-based cures.• Discuss leadership opportunities to improve access.
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<h2>ENSURING ACCESS ENTAILS OVERCOMING 3 ECONOMIC CHALLENGES</h2>
<ol style="list-style-type: none">1) Innovation.2) Financing treatment for all eligible patients.3) Crony capitalism.
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WHAT IS THE “RIGHT” LEVEL OF SPENDING ON PRESCRIPTION DRUGS VS. PHYSICIANS/HOSPITALS?

- Likely varies by productivity of input & output.
 - Likely varies by disease state and the state of embodied science.
- This view can conflict with physician/hospital culture & market power:
 - New technology typically purports to substitute for labor, reducing costs.
 - New medical technology commonly entails super-additive costs.
- Bundled payments might be a solution to this problem:
 - When costs are uncertain, when follow-on innovation not a key concern.

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THE CHALLENGE OF FINANCING ACCESS TO CURES



- Very high prices (p), very large eligible patient populations (q) or both ($p \cdot q$) can create liquidity constraints for individual patients, for payers.
- May be related to a mismatch in timing between treatment costs and benefits.
 - E.g. DAAs in Hep C cure.

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BETTER INSURANCE IS THE SOLUTION TO THE FINANCING CHALLENGE



- Insurance coverage mandates.
- Lower out of pocket costs.

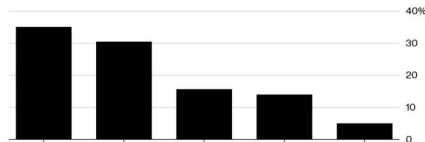
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ENSURING ACCESS IN STATE MEDICAID PROGRAMS REQUIRES SPECIAL CONSIDERATION

Who Pays for Prescription Drugs in the U.S.?

Percentage of total drug expenses paid by source in 2014. Ultimately, the burden is dispersed through taxes and insurance costs



*Includes other public programs such as veterans' aid, workers' compensation and community clinics
Source: U.S. Department of Health and Human Services
BloombergQuickTake

- New drugs with limited competition tend to have very high prices for state Medicaid programs even with rebates.
- The prices (p) or spending (p*q) may be 'too high' to ensure full access.
- Can create uneven access to cures within states between states.
 - E.g. sickle cell disease.

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THE CHALLENGE OF INNOVATION



- No (limited) availability of treatments to cure disease.
- Why? Willing developers face time inconsistent preferences among patients, payers.
- Our solution: Reward innovation with higher revenue (patents, high prices), lower innovation costs and risks.
 - May not be enough to pull investment in some diseases (science not developed, small populations, poor revenue).

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GUARANTEERING ACCESS TO CURES REQUIRES LEADERSHIP

- 1) Improving insurance will resolve most access challenges for patients.
 - Entails shared financing, particularly for the most budget constrained payers (Medicaid).
- 2) Reimbursement policies provide opportunities to reduce super-additive costs with sub-additive benefits.
- 3) Payers need to send clear signals to innovators about what constitutes meaningful innovation.
 - Likely requires rules regarding effectiveness & cost-effectiveness.
 - Entails arriving at revenue (not prices) that adequately reward innovation.
 - Implies quantity commitments in exchange for reduced per unit monopoly prices.
 - Hep C subscription model in Louisiana Medicaid and state prisons program.
 - Whether Medicaid rebate rules, 340B discounts need to be revised are important considerations.

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