Drug Pricing: Trends and Opportunities

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Affordable, outcomes-based, socially responsive, patient-centered specialty drug management that is enabled by data and technology

Data and Technology
- Member tools to support drug treatment decision
- Longitudinal outcomes data to support policy and contribute to evidence

Pharma
- New drug value assessment process by an independent, creditable organization
- Pharma pricing is transparent, value based, and socially responsible

Provider
Physician prescribing and reimbursement based on drug value and outcomes

Care Management
Coordinated, interdisciplinary, outcomes based programs and coverage policies

Benefit Management
Integrated specialty drug benefit and management approach regardless of benefit type or place of service

Patient centered specialty care
Why are We Here?

How does the cost of treating Hep C compare to other priorities in the California State Budget?

- Corruptions & Rehabilitation: $11 Billion
- Higher Education: $11 Billion
- Transportation: $13 Billion
- K-12 Education: $51 Billion

Notes: Data or estimates on costs are from various sources. For details, please refer to the source materials.
Rx Costs are Growing Faster Than Any Other Part of the Health Care Dollar
$100,000 a year drugs are the new norm

**ANNUAL COST OF CANCER DRUGS**
New cancer medicines now routinely cost more than $100,000 yearly, which can create hardships even for insured patients. Top 10 oncological drugs by annual cost:

- **Omacetaxine** for chronic myeloid leukemia
  - $168,366
- **Ibrutinib** mantle cell lymphoma
  - $157,440
- **Crizotinib** non-small-cell lung cancer
  - $156,544
- **Pomalidomide** multiple myeloma
  - $150,408
Drug Spending, Prices on the Rise

Sharp increases in drug prices aren’t compatible with affordable health care.

Higher priced brand name drugs + New, six-figure specialty drugs + Increased utilization = Significant increase in prescription spending

Prescription drug spending grew 13.1% in 2014, 3x higher than 2013

Express Scripts
More Specialty Drugs on the Horizon

U.S. Specialty Drug Spending will Quadruple by 2020

2012: $87.1 billion
2016: $192.2 billion
2020: $401.7 billion

Drugs to cost government $50B over next decade

New “Blockbuster” Drugs expected to launch in 2015

PricewaterhouseCoopers
Avalere Health
EvaluatePharma
Why am I Here?
A Functioning Market Produces: Competitive Pricing Between Competitors?
“We all look at each other and keep pace with each other,” said a director of one multiple sclerosis drug developer, who spoke on the condition of anonymity. “Honestly, there is no science to it.”

Drug Prices Soar, Prompting Calls for Justification
July 23, 2015
A Functioning Market Provides: A Reasonable Rate of Return on Investment?

Gilead and Pharmasset: A Disproportionate Investment

Source: amfAR February 2015 issue brief --Hepatitis C and Drug Pricing: The Need for a Better Balance
“That sent Washington state’s Medicaid budget for hepatitis C treatment from $24 million in 2015 to $222 million by 2017. Washington gets help from the federal government funding Medicaid, but the state will still see its hepatitis C-drugs bill rise to $48 million in 2017 from $6 million in 2015.”

“We are in a bit of pickle,” said Robert Crittenden, special assistant for health reform for Governor Jay Inslee. “We are going to have to cut programs or raise taxes.”
“Prices are rising when basic rules of markets say they shouldn’t. Each step of progress costs more than the last; prices rise even when competitors appear, when the market size expands, when drugs work less well than hoped.”

-Dr. Peter Bach, M.D.
Director of Memorial Sloan Kettering's Center for Health Policy and Outcomes
“Simply put, the federal Medicaid statute is not designed to allow states to respond to this new pricing approach for pharmaceuticals.”

National Association of Medicaid Directors.
Letter to Congress. Oct. 28, 2014
Campaign Members
One Solution Won’t Fit All

✓ **It’s Brands**: In June, Pfizer increased prices for the second time this year: 8.8% and 10.4%. (Stat)

✓ **It’s Popular Drugs**: Prices for four of the nation's top 10 drugs increased more than 100 percent since 2011 and six others went up more than 50 percent. (Reuters)

✓ **And It’s Generics Too**: More than 300 established generic drugs had at least one “extraordinary” price increase of 100 percent or more between first quarter 2010 and first quarter 2015. (GAO)
CSRxP Policy Platform: Transparency

• **Annually reporting increases in a drug’s list price.**
  – Reporting requirements are already in place for other entities like health plan issuers, hospitals, and nursing facilities and this level of transparency should simply extend to the pharmaceutical sector as well.

• **HHS should provide an annual report to the public with:**
  • the top 50 price increases per year for branded or generic drugs;
  • the top 50 drugs by annual spending;
  • how much the government pays in total for these drugs;
  • and historical price increases for common drugs, including those covered by Medicare Part B.

• **Disclosing true R&D cost for drugs.**
  – Manufacturers marketing a drug should be required to disclose how much drug research was funded by public entities like the National Institute of Health (NIH) or other academic entities or by other private companies, so regulators and taxpayers can properly weigh return on investment.
CSRxP Policy Platform: Competition

• Speeding FDA approval of generic drug applications – especially for lifesaving drugs.
  – The FDA faces a backlog of nearly 4,000 generic drug applications, yet approval times can be three or more years. The FDA should be provided necessary resources to clear this backlog and prioritize generic drug approval applications.

• Reducing drug monopolies by incentivizing competition for additional market entrants.
  – Several FDA programs are intended to expedite review of new drugs that address unmet medical needs for serious or life-threatening conditions. Incentives should drive competition for expensive treatments where no competitors exist and encourage a second or third market entrant.
CSRxP Policy Platform: Competition

• **Curb misuse of REMS.**
  – Currently, FDA requires manufacturers to submit detailed Risk Evaluation and Mitigation Strategies (REMS) to weigh a drug’s risks and benefits. This practice can stifle the introduction of generic competition, thus preventing lower price options from being available. The CREATES Act in Congress is legislation that would close the loophole.

• **Promote uptake of biosimilars.**
  – Regulatory policies should encourage market entry and uptake of biosimilars, as they have significant potential to expand treatment options and reduce costs of expensive biologics through increased competition.
CSRxP Policy Platform: Value

- **Increase funding for public and private research on drug pricing and value.**
  - Policymakers should increase funding for private and public research efforts like the Institute for Clinical and Economic Review (ICER), a non-profit organization that evaluates evidence on the value of medical tests and treatments.

- **Require drug makers to compare cost & outcomes of new vs. existing drugs.**
  - Through comparative effectiveness research (CER) studies, manufacturers should have to demonstrate their product is better than others, so that physicians and patients can make smart decisions about the value of different treatments, particularly those with very high costs.
Thank you!