Drug Pricing: Trends and Opportunities

Andy Chasin, J.D.
Policy Director, Blue Shield of California
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

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

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

**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?

- $11 billion: Corrections & Rehabilitation
- $11 billion: Higher Education
- $13 billion: Transportation
- $39 billion: K-12 Education
- $51 billion: Estimate for cost of providing treatment for 10% of California population infected with Hep C
Drug Spending, Prices on the Rise

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

**Prescription Drug Spending Grew 13.1% in 2014**

\[ \text{Higher Priced Brand Name Drugs} + \text{New, Six-Figure Specialty Drugs} + \text{Increased Utilization} = \text{Significant Increase in Prescription Spending} \]

Express Scripts
Rx Costs are Growing Faster Than Any Other Part of the Health Care Dollar

Exhibit 3. Year-over-Year Price Growth for Selected Health Categories

Source: Altarum analysis of monthly BLS data.
$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:

<table>
<thead>
<tr>
<th>Drug</th>
<th>Annual Cost ($USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omacetaxine</td>
<td>$168,366</td>
</tr>
<tr>
<td>Ibrutinib</td>
<td>$157,440</td>
</tr>
<tr>
<td>Crizotinib</td>
<td>$156,544</td>
</tr>
<tr>
<td>Pomalidomide</td>
<td>$150,408</td>
</tr>
<tr>
<td>Regorafenib</td>
<td>$141,372</td>
</tr>
<tr>
<td>Sorafenib</td>
<td>$140,984</td>
</tr>
<tr>
<td>Ponatinib</td>
<td>$137,952</td>
</tr>
<tr>
<td>Trametinib</td>
<td>$125,280</td>
</tr>
<tr>
<td>Lenalidomide</td>
<td>$124,870</td>
</tr>
<tr>
<td>Cabozantinib</td>
<td>$118,800</td>
</tr>
</tbody>
</table>

Among drugs approved between 2009 and 2013 by the Food and Drug Administration

1 — Also for Ph+ acute lymphoblastic leukemia

SOURCE: JAMA Oncology, 2015

George Petras, USA TODAY
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?

**Shadow Pricing**

Prices for some competing drugs go up in lockstep, rising the same amount at about the same time.

Source: Bloomberg Intelligence analysis of Symphony Health Solutions data
A Competitive Market?: “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.”


Price Increases for Multiple Sclerosis (MS) Drugs
A Functioning Market Provides: A Reasonable Rate of Return on Investment?

Source: amfARFebruary 2015 issue brief --Hepatitis C and Drug Pricing: The Need for a Better Balance
A Functioning Market?

“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
Where are we headed?
“Simply put, the federal Medicaid statute is not designed to allow states to respond to this new pricing approach for pharmaceuticals.”

We are working to create a new kind of partnership that enables us to:

- Deliver below-market trends
- Achieve financial results in acceptable and sustainable returns for all parties
- Find cost and quality improvements
- Increase market share
Thank you!