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'Broken' System For Pricing Drugs Hurting Patients

Chicago—A broken U.S. drug pricing system is leading to spiraling chemotherapy and other drug costs—and hurting patients—argued Peter B. Bach, MD, the director of the Center for Health Policy and Outcomes at Memorial Sloan Kettering Cancer Center in New York City, during the 2016 annual Hematology/Oncology Pharmacy Association (HOPA) Oncology Pharmacy Practice Management Program.

To fix the system, Dr. Bach argued that drug pricing should be tied to value, and he has created an interactive tool that models the various ways a drug's clinical value could be used to set its cost. The tool has garnered considerable media attention, and the discussion it has sparked about value has begun to influence formulary decisions at pharmacies throughout the United States, noted Lindsey Amerine, PharmD, MS, BCPS, an assistant director of pharmacy at the University of North Carolina Medical Center, in Chapel Hill, and a member of HOPA's Practice Management Working Group.

"We've seen institutions around the country not add drugs [to their formulary] because the cost is not relative to the value for the patient," Dr. Amerine told *Pharmacy Practice News*.



For example, Dr. Bach and his colleagues at Memorial Sloan Kettering Cancer Center wrote an editorial in *The New York Times* about their decision not to include the colorectal cancer drug ziv-aflibercept (Zaltrap, Sanofi-Genzyme) in the center's formulary because at more than \$11,000 for a month of treatment, it is twice as expensive as bevacizumab (Avastin, Genentech) yet confers the same survival benefit (<http://nyti.ms/KVSDq7>).

Constraints on Medicare

Massive inflation in cancer drug costs—a 100-fold increase in the average monthly cost of cancer medication based on drug pricing at launch since the mid-1960s—has been driven by a broken drug pricing system, Dr. Bach said. In the United States, the law requires that Medicare must cover any cancer drug approved by the FDA or listed in any of the compendia, and Medicare must pay whatever the manufacturer charges, he explained. Companies participating in Medicare Part D also must cover all these medications, he said.

“Those dynamics create a skewed drug market and allow for price inflation,” he added.

The problem is not unique to oncology; it is happening across the pharmaceutical industry, he noted. Unfortunately the increases have not produced commensurate clinical improvements.

“We see diminishing returns,” Dr. Bach said. “Each step forward is costing us more. It is not unique to cancer.”

Additionally, rather than decrease after launch, the United States is seeing a trend of older drug prices increasing over time as well. For example, Dr. Bach cited the recent controversy over the several-fold price increase for epinephrine injection (EpiPen, Mylan), which is used to treat severe allergic reactions.

The result of this is increasing harm to “the people the drugs are intended to help,” Dr. Bach said. For example, he pointed out that the cost of insurance and deductibles have increased more than 250% over the past decade, while wages have only grown modestly during the same period. It's hurting patient access to drugs as well, he said.

Cancer Drug Price Surge

Median monthly costs for new cancer drugs in the United States:

\$129

1975-1979

(Five new drugs introduced)

\$10,059

2010-2014

(34 new drugs introduced)

Source: Peter Bach and Geoffrey Schnorr, Memorial Sloan Kettering Cancer Center.

Note: Costs are based on monthly Medicare prices for drug approvals the year they were introduced, adjusted for inflation; drugs approved through early 2014 are included.

Tying drugs' prices to their value would be one way to try to correct this skewed system. So, Dr. Bach and his colleagues created an interactive tool called the DrugAbacus (www.drugabacus.org) that allows adjustment of drug prices based on eight attributes including efficacy, tolerability, novelty, research and development costs, rarity of the condition, population burden, unmet need and prognosis.

"The goal was to move the discussion [about drug pricing]," Dr. Bach explained. And so far, the experiment has been "moderately successful," he said, leading to numerous news articles drawing attention to some of the disconnect between cancer drug price and value.

The topic of value-based pricing has been a hot one in recent years in pharmacies across the country, Dr. Amerine pointed out. She noted that many drug prices are currently based on development costs or patent length, even though some drugs might only prolong life for a matter of months.

“We continue to talk about it from the practice side, but we haven’t seen much movement on the payor or manufacturer side,” she said.

But some health care institutions across the country have taken these value-based discussions to heart in their formulary decisions, she noted.

One challenge for pharmacies is the constant approval of new cancer drugs, she said. Some practices may be interested in trying new drugs as a last resort, even though the costs are high. Additionally, direct-to-consumer advertising for costly cancer therapies, including IVs, has put pressure on clinicians to explain their drug choices to patients.

“The challenge is keeping the balance of what is best for the patient and most cost-effective,” she said. “Sometimes the costly treatment is best; sometimes it’s not.”

Dr. Bach argued that value-based pricing also could be reflected in copays, with patients paying lower copays for high-value care, even if the treatment is very costly.

Pharmacists, who may serve on their institution’s formulary committee, have a pivotal role to play in advocating for value, Dr. Amerine noted. She said they can research their patients’ perspectives on the value or costs of their treatments, for example, to add more independent evidence to the debate.

“It’s going to call for a change in the way we manage drugs from a formulary perspective across the country.”

—*Bridget M. Kuehn*

Dr. Bach received fees from AIM Specialty Health, America’s Health Insurance Plans, the American College of Chest Physicians, American Journal of Managed Care, the American Society of Clinical Oncology, Anthem Inc., the Association of Community Cancer Centers, Barclays, the Biotechnology Industry Organization, Boston Consulting Group, Defined Health, Excellus Health Plan, Express Scripts, Foundation Medicine, Genentech, Goldman Sachs, McKinsey & Company, MPM Capital, the National Comprehensive Cancer Network and Novartis. Dr. Amerine reported no relevant financial relationships.