Managed Healthcare EXECUTIVE

Five policy options to remedy value-based pricing

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By Mari Edlin

Drug affordability—a topic that healthcare stakeholders agree is weighing down the economy—was the topic of discussion Wednesday morning, April 21, at the Academy of Managed Care & Specialty Pharmacy Annual Meeting 2016.

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"Paying for Cures—How We Can Afford It" session speakers were John Watkins, PharmD, pharmacy manager, formulary development, Premera Blue Cross; Mike Drummond, professor of health economics, University of York in the United Kingdom; Kai Yeung, PharmD, post-doctoral fellow, University of Washington; and Newell E. McElwee, PharmD, associate vice president, CORE, Merck & Co.

WatkinsAs healthcare moves from a market to a value-based model with healthcare costs jumping from antibiotic prescriptions at less than $500 a year to cures for hepatitis C soaring to $200,000, Watkins questioned whether value could support affordability. While he said value aligns with cost-effectiveness and efficiency, using value alone assumes utopian conditions and that a willingness to pay could be used to prioritize limited resources.

Value-based pricing raises concerns, he said, and begs the questions, "What is a 'fair' price to pay?" "What is a cure worth?" and "Will traditional payer methods work?"

"There is no historical precedent for value-based pricing; it guarantees relentless increases in healthcare costs that negatively affect patients and employers," he said

"Quantifying the value of a cure is problematic because it involves lifetime extrapolation based on short-term data and while it might have an impact on lifespan and future morbidity, the impact on quality of life is unknown," Watkins said.

He also expressed concern about ethical issues, such as rationing care when supply or money is limited or whether people exhibiting unhealthy behaviors deserve high-cost care.

Finally, he said that traditional utilization management techniques might not work with high-cost drugs, noting that they might limit access to valuable treatments, force patients to juggle healthcare and other expenses such as housing and increase copayments that could negatively affect adherence. "Payers' ability to enforce restrictions is limited by protective laws and regulations," he added.

"Prices no longer reflect costs," Watkins said. "We need a new approach."

Next: Five policy options to consider

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DrummondDrummond offered hope, discussing healthcare in the U.K. and Europe where certain models are working. The U.K., Canada, Australia and other countries rely on quality-adjusted life year (QALY), while France and Germany deploy global scoring systems that assess "added clinical value" based on a review of clinical evidence.

He said that European strategies to obtain value for money is based on price negotiations, price/volume agreements, limiting coverage to patient subgroups and performance-based contracts.

He cited problems in dealing with "cures"—restrictions in coverage might not be appropriate; risk-sharing arrangements might not be feasible; manufacturers and payers might not agree on the level of price reduction to meet a payer's definition of "good value for money" and drugs might not deliver considerable value in the long term.

Drummond suggested future options including giving a price premium in some situations (e.g., endâ€ofâ€life therapies); spreading costs over time as value is accumulated; and government borrowing to deal with shortâ€term affordability problems, thereby imposing some of the costs on future generations.

YeungYeung outlined five policy options:

• Encourage competition by speeding up FDA approvals and reducing drug patent duration;

• Direct price control, allowing Medicare price negotiation/control;

• Indication-based pricing;

• Payments over time through risk-sharing arrangements; and

• Health coins, a potential tradable currency in which Medicare guarantees payment to private payers for each treated person entering into the government program.

McElweeWhile the issue of affordability is not new, McElwee said it is real and is comprised of two distinct dimensions—financing challenges and short- and long-term overall budget impact.

He said solutions depend on goals, achieving an efficient healthcare ecosystem and developing a longer-term approach. He described the healthcare system as an "old jalopy with a $50,000 sound system."

"To achieve potential long-term solutions, we need to get better at eliminating low-value products, services and delivery systems in the healthcare ecosystem," he said. "Success will require all healthcare stakeholders to engage, and each should be willing to make compromises." He also emphasized the need to balance affordability with incentives for innovation.

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