

Patient, Payer and Manufacturer Perspectives on Four Cost-Control Mechanisms for Pharmaceuticals

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Objectives

- To explore current opinions on the advantages and challenges associated with four pharmaceutical pricing models in the USA.

Background

- Pricing control mechanisms play a critical role in regulating prices of pharmaceuticals and therefore their availability to patients.
- In the USA, there is no broadly adopted strategy, meaning prices are poorly controlled and often substantially higher than in other countries.
- A number of cost-control mechanisms have been proposed for introduction in the USA as potential solutions to the current high prices. To increase the likelihood of success of any new mechanism, it is important that relevant stakeholders are supportive of any such scheme.
- An investigation was therefore conducted to determine current opinions surrounding four mechanisms either currently, or potentially, to be implemented in the USA.
- The four mechanisms selected were tiered formularies (TF), reference pricing (RP), outcomes-based contracts (OBCs) and the international pricing index model (IPIM).
- The TF approach splits drugs into 'tiers' based on drug price, which is negotiated between payers and manufacturers; exchanging reduction in price for favourable formulary placement. TFs allows consumers to cost-share within a tier, but can limit access to higher tiered, more expensive drugs, which require approval from insurers.¹
- Under a reference pricing model, payers establish a maximum contribution towards covering the price of a drug, either as a minimum or average drug price within a therapeutic class. The remaining cost is then covered by patients should they chose a higher priced therapy.¹
- Outcomes-based contracts between payers and manufacturers dictate that reimbursement for a drug is based in part on observed outcomes, such that if pre-agreed outcome thresholds in a patient cohort are not met, the manufacturer refunds some of the original price.²
- The international pricing index model aims to cut Medicare part B drug payments by aligning costs with international pricing.³

Methods

- A pragmatic literature search was conducted using Google to identify records reporting opinions on the use of tiered formularies, reference pricing, outcomes-based contracts and the international pricing index model in the USA. Search terms were based on full names of pricing mechanisms alongside "USA".
- A separate search was conducted for each price control mechanism and the first three pages of results were reviewed on November 28, 2018. One individual ran all searches and recorded potentially relevant URLs in a pre-specified data extraction grid.
- Results were screened against pre-defined eligibility criteria. Eligible records included journal articles, blog posts and open letters reporting opinions on pricing mechanisms that were not self-directed promotion or evaluation.
- Opinions were extracted from eligible records and categorized by perspective. In order to capture a full range of stakeholders, perspectives included: patients, payers, Government/Public, pharmaceutical companies,

Figure 1 | Opinions of each mechanism, categorized by perspective



private and any other perspectives e.g. academic. Each opinion was classified as positive, neutral or negative.

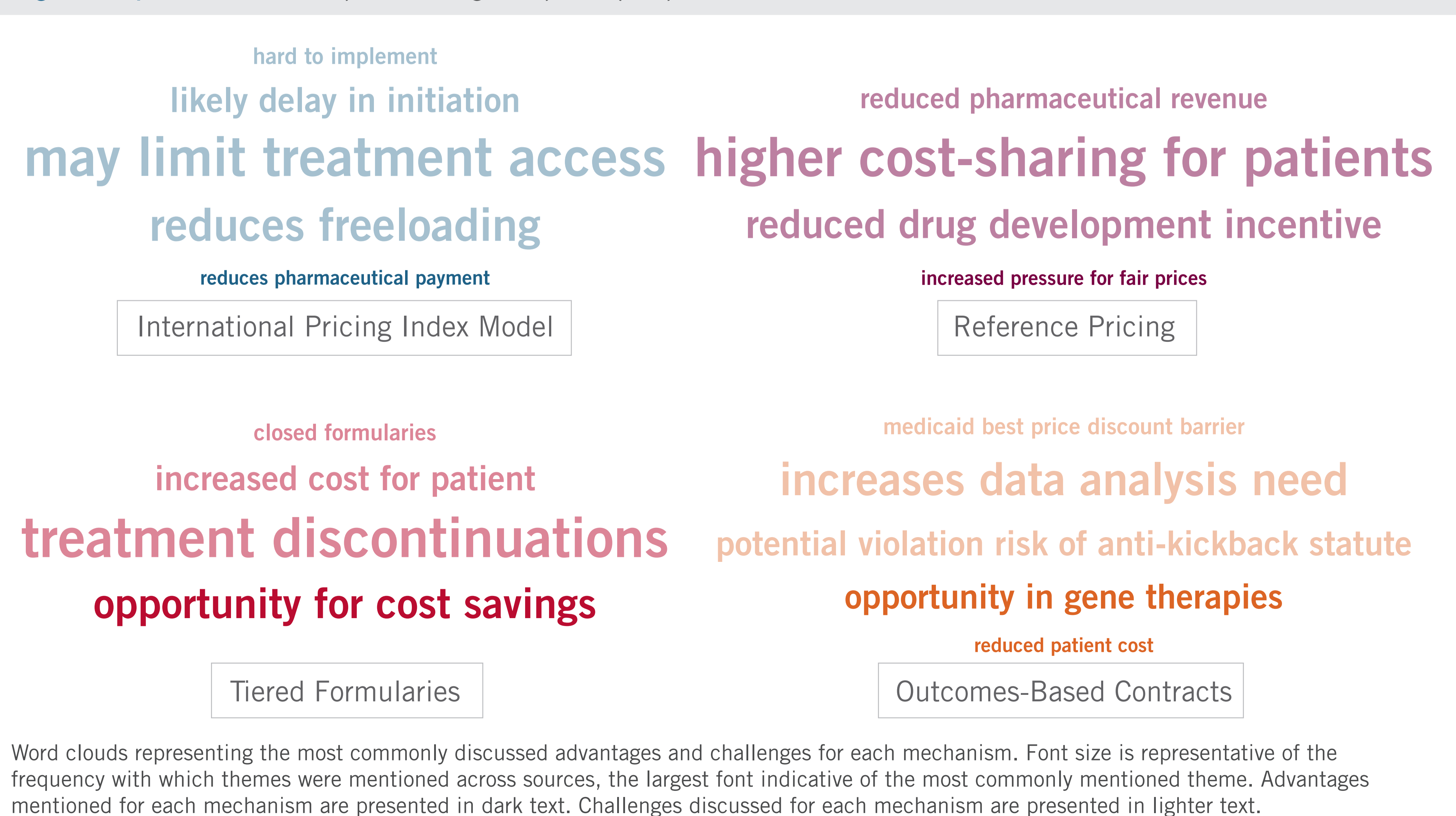
- Themes mentioned more than once across all extracted opinions were summarized within word clouds to indicate the most commonly discussed themes for each mechanism.

Results

- A total of 66 sources were identified, reporting 190 opinions.
- OBCs were subject to the greatest number of opinions (77), followed by the IPIM (69), whilst RP (22) and TFs (22) were discussed less frequently.
- Opinions on all four mechanisms were mixed; OBCs received the greatest proportion of positive opinions (36%), relative to RP (32%), the IPIM (25%) and TFs (18%). The greatest proportion of negative opinions was reported for the IPIM (59%), whilst fewer were reported for OBCs (48%), RP (41%) and TFs received the least (32%) (Figure 1).

- OBCs appeared to be favored by payers and manufacturers due to a potential benefit in terms of risk sharing for high-cost drugs and gene therapies, however the increased requirements for data analysis were a major concern (Figure 2).
- TFs were discussed by patients in terms of potential cost savings negotiated by Pharmacy Benefit Managers being passed onto them, however the main concern was the risk of treatment discontinuation if patients are prescribed treatments in tiers with higher copayments.
- IPIM received the greatest proportion of positive opinions from the Government/Public perspective due to its potential to reduce "freeloading" associated with the current high drug prices in USA. However, negative opinions were expressed from other perspectives, mainly surrounding the risk of reduced patient access to treatments if manufacturers decline to reduce prices to the levels required by the Centers for Medicare and Medicaid Services.
- The potential for RP to reduce costs by directing patients to choose less costly options was raised from many perspectives, however it was correspondingly opposed by manufacturers due to the impact on revenue.

Figure 2 | Word clouds presenting frequently reported themes for each mechanism



Word clouds representing the most commonly discussed advantages and challenges for each mechanism. Font size is representative of the frequency with which themes were mentioned across sources, the largest font indicative of the most commonly mentioned theme. Advantages mentioned for each mechanism are presented in dark text. Challenges discussed for each mechanism are presented in lighter text.

Conclusions

- There is much discussion regarding the current and future drug pricing situation in the USA. Across all perspectives, no clear preferred mechanism could be identified from the data collected in this analysis, however, it appears that payers and manufacturers would favor some form of OBC, whilst patients would favor TFs.

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