National Alliance of Healthcare Purchaser Coalitions
Driving Innovation, Health and Value

"American Patients First" Blueprint

June 2018 Update

Since we published a Health Policy in Transit describing the "American Patients First" policy blueprint, HHS Secretary Alex Azar has been testifying in Congress on the blueprint. Specifically, he recently told lawmakers that the Administration is in favor of eliminating the "complex system of rebates" that drug companies and pharmacy-benefit managers use to negotiate and set prices. Additionally, he has been promoting new flexibility to support value-based contracting with pharmaceutical companies.

> ***We may need to move toward a system without rebates, where PBMs and drug companies just negotiate fixed-price contracts. Such a system's incentives, detached from artificial list prices, would likely serve patients far better.***
>
> Secretary Azar in testimony before the Senate Health, Education, Labor and Pensions Committee.

In addition to the discussion regarding the elimination of rebates, Secretary Azar has been touting the FDA's newly released plan to make it easier for drug makers and insurance companies to negotiate pricing deals based on how well a drug works. The guidelines cover how pharmaceutical companies can have conversations with payers about value-based agreements. Under such arrangements, the amount a payer covers can be based on a specific outcome - such as preventing hospitalizations - instead of a flat fee.

May 24, 2018

Health Policy in Transit

A Purchaser Viewpoint

National Alliance of Healthcare Purchaser Coalitions is a national, non-profit, membership association of employer led coalitions across the country collectively serving 12,000 purchasers and 45 million Americans.

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"American Patients First" Blueprint

On May 11, the Trump Administration released "American Patients First," the President's blueprint to lower drug prices and reduce out-of-pocket costs for consumers. The document identifies four challenges: 1) high list prices for prescription drugs, 2) lack of price negotiation tools in federal health programs, 3) high and rising out-of-pocket costs for consumers and 4) US footing the bill for lack of foreign countries' investment in research and development.

The plan identifies four key strategies for reform in two phases, including actions the President may direct HHS to take immediately, and actions HHS in considering, on which feedback is being solicited. The four strategies are: 1) increased competition, 2) better negotiation, 3) incentives for lowering list prices, and 4) lowering out-of-pocket costs.

The immediate actions include making drug prices and price increases more transparent to consumers by releasing a public dashboard of Medicare prices and banning "gag" clauses on pharmacists that prevent them from telling patients about lower-cost alternatives not covered by their health plans. Many of the actions require agencies - CMS and/or FDA - to issue and finalize regulations and will, therefore, take longer to implement. One such longer-term action is removing government impediments to value-based purchasing by private payers. The Blueprint calls on CMS to develop demonstration projects to lower drug prices and encourage value-based care. The models should "hold [drug] manufacturers accountable for all outcomes, align with CMS' priorities for value over volume and site-neutral payments, and provide Medicare providers, payers, and states with additional tools to manage spending for high-cost therapies."

Some Observations from a Purchaser Perspective

- The Blueprint emphasizes transparency on drug prices. The theory is that informed patients can be price-sensitive in their drug treatment decisions. However, a patient is rarely exposed to the full cost of the medication and the drug's relative clinical value to a patient should also be a consideration in a true value determination.
- CMS' new models to address this Blueprint action should focus on both cost and clinical effectiveness. Value assessments will be especially useful in allowing formulary substitutions of drugs in certain protected classes and sole-source generics.
- It is concerning that there is no mention of ways to include employer purchasers in designing or benefiting from solutions. Employers share the brunt of high drug costs through cost shifting and extraordinary markups across the supply chain.
- Specialty drugs are not specifically addressed in the Blueprint. While these new drugs are truly innovative and important, the specialty drug marketplace itself is dysfunctional with high costs, high variation, and high waste. The effect of this is seen across the entire supply chain. The National Alliance together with several of its member coalitions has developed recommendations that can serve as a guidepost in these efforts.

Purchasers in the private and public sectors (including public programs) have a shared interest to influence and help transform the drug marketplace. Employers welcome constructive actions that will promote better value and mitigate costs that are increasingly unaffordable, unsustainable and inequitable.

Public comment on the Blueprint is being accepted through July 16, 2018.

www.nationalalliancehealth.org

Access the May 24, 2018 "American Patients First" Health Policy in Transit

While both of these proposals are not directed at employers/purchasers they nonetheless could have strong implications for the employer/purchaser market as well as consumers.

Rebates are a complex issue but the current market is not leading to better value for either purchasers or consumers.

- The rebate system distorts the actual prices of drugs, which only makes it harder for purchasers to know how much they are or should be paying for drugs thus hindering their contracting position and overall drug management performance.
- Consumers have virtually no information on actual drug prices and often have their cost share calculated on artificially inflated prices with rebates reimbursed elsewhere after-the-fact.
- With the elimination of rebates, there would be increased transparency that would better enable employers to steer patients toward higher-value drugs.

Value-based contracting for drugs themselves could also be beneficial for employers. Ensuring that they only pay for a drug when it does what it's supposed to do would help to better align incentives among stakeholders.