# Can we afford the new wave of "high value" health care?

ICER
INSTITUTE FOR CLINICAL AND ECONOMIC REVIEW

# Sovaldi: Remember when?

## At $84,000 Gilead Hepatitis C Drug Sets Off Payer Revolt

Save + Facebook Twitter

By Drew Armstrong | Jan 27, 2014 3:09 PM CT | 119 Comments Email Print

As Gilead Scien
(GILD) touted it
pill hepatitis C cu
investors in a hot
in San Francisc


Source: AIDS Healthcare Foundation.

# What are the policy options for managing affordability?

# Policy Option 1: Medical Tourism Savings in Egypt: $80,000+

# Managing Affordability: Status Quo Policy Options

- Use evidence to limit coverage
  - Narrowing eligible patient population
  - Prior authorization and step therapy
  - Deny coverage to more expensive options
- Save on other drugs and/or other spending areas
- Raise health insurance premiums
- Increase cost-sharing for patients
- Lower the price
  - Public shaming

# Why the status quo alone won't work: "The pipeline is full!"

- PCSK9 inhibitors are coming in 2015
- Pricing estimates: $7,000-$12,000 per year
- Target populations
  - Familial hypercholesterolemia = 620,000
  - High cholesterol despite statins = 1 million
  - LDL elevated and statin intolerant = 2 million
  - Previous cardiac event and statin ineffective = 5 million
- Potential ongoing *annual* drug costs
  - FH alone: $6.2 billion
  - High cholesterol despite statins: $10 billion
  - Statin intolerant: $20 billion
  - Cardiac event and statin ineffective: $50 billion
- Total ongoing annual budget impact = $50-$75 billion

# Managing Affordability: Innovative Policy Options

- Plan ahead for possible service trade-offs
- Change the rules for IP
  - Compulsory licensing/eminent domain
  - Grant/prize for incentivizing R&D
- Change the financing mechanisms
  - Amortization, secondary credit markets
  - Infusions from government(s)
- Lower the price
  - But what's a reasonable price?

# California Technology Assessment Forum (CTAF)

- Independent CTAF Panel of physicians and lay members
- Evidence reports including clinical effectiveness assessment and economic modeling
- Votes on comparative effectiveness and value of new tests and therapies
- Recommendations on options for coverage policies and clinical practice
- New: “value-based price benchmark” for negotiation and policy debate

# CTAF and Hepatitis C

- March 2014 report on Sovaldi
  - Voted clinically superior but “low value”
  - Prioritization of treatment to patients with liver fibrosis recommended as most practical option
- December 2014 report on Harvoni and other newest all-oral regimens
  - Voted clinically superior and took new two-part votes on value

# Care Value and Health System Value

- Care value is a judgment of incremental cost-effectivenes.
  - Threshold for “high” care value = incremental cost/QALY < $50,000-$100,000
- Health system value is a judgment of affordability
  - Threshold for “high” health system value = total budget impact < 0.5%-1.0% PMPM

# CTAF and Hepatitis C

- December 2014 report on Harvoni and other newest all-oral regimens
  - Clinical effectiveness of all new regimens excellent and indistinguishable
  - Harvoni list price known at $95,000
  - Voting on value assuming current price and payment mechanisms:
    - Reasonable-high care value (cost/QALY < $50,000)
    - Low health system value (budget impact ~ 5% PMPM)
- "Value-based price benchmark" to meet both care value and health system value thresholds = $34,000-$42,000

# $34,000-$42,000

- Original maker of Sovaldi disclosed in SEC filing an anticipated list price of Sovaldi of $36,000
- At the list price of $95,000 for 12 weeks only those patients with advanced liver fibrosis could be treated in order to remain below the budget impact threshold
- At $34,000-$42,000 all eligible patients could be treated
- In December, approval of competitor for Harvoni triggered active negotiations and sole drug contracts
  - CTAF price benchmark discussed among major PBM clients
- Gilead announces that 2015 average discounts in the U.S. market will be 46%
  - Average regimen cost is now ~ $40,000

# So how will we be able to afford the PCSK9 drugs?

- Use evidence to limit coverage
- Save on other drugs and/or other spending areas
- Plan ahead for possible service trade-offs
- Raise health insurance premiums
- Increase cost-sharing for patients
- Change the rules for IP
- Change the financing mechanisms
- Lower the price
  - Public shaming
  - Value-based price benchmark

# Thank you