With Health Care in the Spotlight, Experts Discuss Affordability of Medicines

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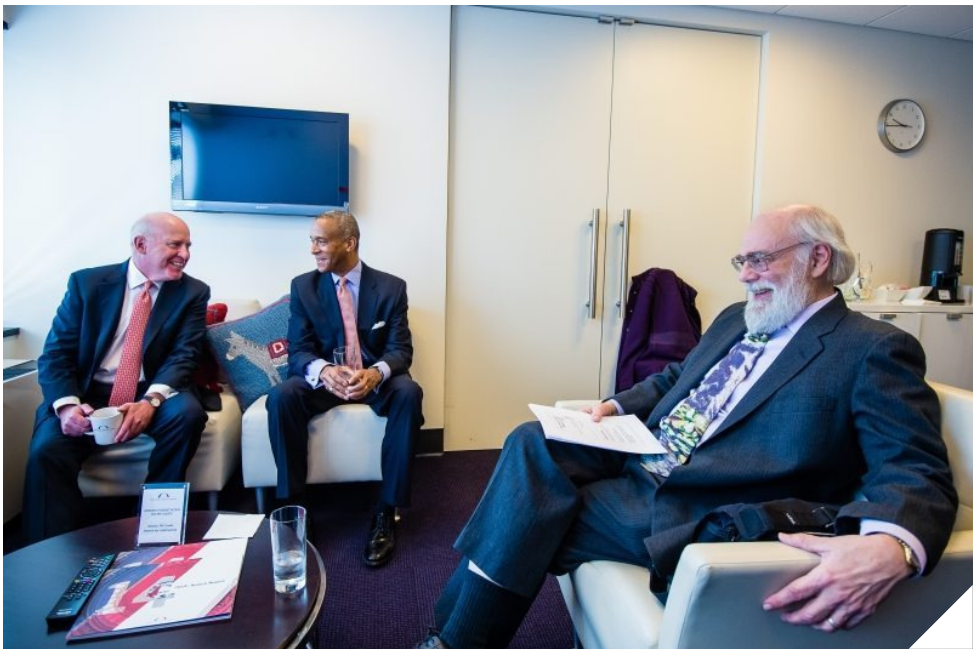

Last week, the Bipartisan Policy Center hosted an **educational forum** on affordable medicines. This forum was the first in a series of conversations BPC plans to convene in the coming months to better understand how private sector decisions and public sector policies impact the prices of drugs and their costs to America's health care system.

Bill Hoagland, senior vice president at BPC, opened the forum by acknowledging the timeliness of the issue in a year where there has been vibrant media coverage of the rise in pharmaceutical prices and spending. He also outlined the goals of the discussion: describing the delicate balance between the cost and pricing structures of medicines, along with issues of affordability and access.

Jack Hoadley, PhD, of Georgetown University, provided the event's **keynote address** and gave the audience an overview of drug prices and the supply chain, highlighting recent spending trends and the value pharmaceuticals provide in the broader health system.

After Dr. Hoadley's presentation, BPC Senior Advisor Dr. Anand Parekh moderated a panel discussion that explored the present system of pricing medicines. Our panel of experts represented a wide-range of viewpoints from stakeholders, including: Kirsten Axelsen, vice president in worldwide policy, Pfizer; Mary Dwight, senior vice president for policy and patient assistance programs, Cystic Fibrosis Foundation; Tom Moriarty, executive vice president, chief health strategy officer and general counsel, CVSHealth; Dr. Edmund Pezalla, vice president and national medical director for pharmaceutical policy and Strategy, Aetna; and Dr. Wayne Riley, president, American College of Physicians.

Drug Spending and Specialty Drugs

When looking at the total spend over the past few years, 17 percent of spending on personal health services can be attributed to pharmaceutical medicines. Upon closer look at the overall spend on prescription drugs, there is an increase in the specialty drug share of this total, rising from 24 percent in 2010 to 33 percent in 2014. One speaker noted that while there is no universal definition for these drugs (Medicare Part D has a price threshold to designate specialty drugs), they tend to be expensive and difficult to administer. The impact of specialty drugs on how stakeholders view drug pricing reverberated throughout the public forum.

Pricing and Competition

Although research and development are commonly discussed rationales for high drug prices, panelists stressed that the initial set price by pharmaceutical companies takes into account many different variables. As described by one panelist, the value of the drug, both to consumers and health plans, is considered along with what the out-of-pocket costs might be to the patient, whether the drug will be part of patient assistance programs, and what discounts can be offered.

In addition to these considerations, the panel highlighted real-world evidence, continued negotiations between health plans, and market competition as factors into both the initial price setting and the re-setting process. After the price is set, drugs are categorized into formularies and tiers based on a variety of factors, including their indication, safety, clinical effectiveness, and how it fits into the entire benefit structure including the patients' out-of-pocket costs. It is at the formulary and tier level where discounts and rebates are determined, and this impacts competition in the pharmaceutical drug market. Through discounts and rebates, a particular drug can receive "preferred" status over another for the same medical indication. Panelists explained that this competition results in greater discounts in both the retail and generic markets.

From the clinical perspective, panelists noted that pharmaceuticals are a key tool for treating patients—7 out of 10 Americans take a prescription drug. One panelist shared that price increases for both brand and generic medications can make it difficult for patients to adhere to regimens. Particularly for patients who require breakthrough therapies and specialty drugs, costs are magnified on multiple levels throughout the health system. Panelists expressed concern that criteria used to contain drug costs can inhibit access to drugs as well as overall quality of care received—due to, for example, clinicians having to spend time navigating the complexities of insurance rather than the complexities of patient care.

Transparency

Some policymakers have questioned whether greater transparency could be a useful tool in navigating the complexities of drug pricing. There was agreement among panelists that though the *price* of drugs is available, there is a clear distinction between the price and cost of drugs. Panelists noted that exactly how to increase cost transparency while allowing market competition to thrive is a delicate balance. Among industry entities, the power of negotiation is seen as a valuable mechanism for achieving the lowest cost for different stakeholders.

The discussion at BPC found differences in where there could, or should, be more transparency in the current system – ideas ranged from increased transparency of direct-to-consumer advertising's relationship to drug utilization and prices, better transparency around which medications are covered by health plans, and transparency with regard to the impact of drugs on health outcomes. On this third point, though outcomes data can be found through patient registries, it was argued that more data-sharing could provide an even greater sense of a drug's effectiveness. Further, greater comparative effectiveness research and data on drugs would be very helpful to clinicians and could ultimately have an impact on pharmaceutical pricing and costs.

Next Steps

As the panel discussion came to a close, the conversation looked to the future, and how the price of breakthrough treatments and specialty drugs impact patient access. Imagining a world where there could be an effective treatment for Alzheimer's disease, some panelists felt that the intense competition that followed the introduction of the recent new hepatitis C drugs offered a template for a future Alzheimer's treatment. Still others argued that access issues remained for patients with hepatitis C given cost of the drugs.

In the coming months, BPC will host two more educational forums on the subject of affordable medicines. The **second convening**, to be held on May 10, 2016, will explore how existing federal statutes and regulations impact pharmaceutical innovation, market competition, and costs. The third forum will delve into how pharmaceuticals fit into value-based payment system. We welcome feedback from stakeholders and policymakers as we continue our exploration in this area.

*Please join us on May 10, 2016 from 10:00 – 11:30 a.m. for **BPC's second event on affordable medicines**. This forum will feature keynote remarks by Gerard Anderson, PhD, professor of health policy and management, Johns Hopkins University Bloomberg School of Public Health, followed by a panel discussion moderated by Sheila Burke, strategic advisor, Baker Donelson, with Tim Gronniger, deputy chief of staff, Centers for Medicare & Medicaid Services; Matt Salo, executive director, National Association of Medicaid Directors, and Paul Howard, senior fellow & director of health policy, Manhattan Institute.*

KEYWORDS: **ALZHEIMER'S**, **ANAND PAREKH**, **BILL HOAGLAND**, **EDUCATIONAL SERIES ON AFFORDABLE MEDICINES**, **MEDICARE PART D**

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