

Continued Evolution of Drug Policy Blueprint

Since the Administration released its drug pricing proposal (the "blueprint") earlier this year, virtually all health care stakeholders have engaged in robust discussions about the specific policies contained in the plan. The National Alliance has provided its members with updates, submitted comment letters, and continued to follow national discussions on drug pricing issues. This viewpoint summarizes specific proposals and offers insights from a purchaser perspective.

All stakeholders have been supportive of increased transparency, as is the National Alliance, but most urge caution with the approach. Taking actions such as requiring the inclusion of list prices in drug television ads or requiring Part D plans to disclose list prices to beneficiaries upon plan enrollment may potentially cause more confusion. As we know, drug pricing is complex and includes myriad discounts and rebates. If patients are to be price-sensitive drug shoppers, they will need to know out-of-pocket costs, not list prices. However, purchasers also need transparency into what they pay for drugs under the plans they sponsor including hidden fees and rebates that can cause potential conflicts of interest. It's not yet clear how the Administration plans to tackle both.

HHS is also exploring value-based purchasing proposals for drugs within federal programs. Many urge caution with implementing these programs as value cannot be defined solely as a successful clinical trial, or some other purely clinical measure. Value to both patients and plan sponsors is much broader. Purchasers are willing to pay for services and treatments as long as they are priced fairly, there is a clear real-world benefits of improved outcomes such as productivity and costs are appropriately weighed against other treatment options. **Purchasers should be supportive of policy, research and analyses that informs such comparative effectiveness evaluation and leads to a more competitive and robust market.**

Finally, discussion continues in all parts of the stakeholder community regarding the drug pricing structure itself. The Administration has made a bold proposal to tie drug pricing in Medicare to international indices. Also, being considered is the move of drugs from Part B to Part D, and what that means for both Medicare and beneficiaries. Questions remain around the details of how the federal government could negotiate prices, if given that opportunity. There are major questions around conflicts of interest in such a situation, and the potential for abuses such as kickbacks.

All these proposals have the potential to make major shifts in the way drugs are managed and pricing is structured, but at the current time, these recommendations are limited to Medicare. **While Medicare is a large payer and has significant influence in the market, employer purchasers are concerned that limiting these policies to Medicare may further distort the drug market and lead to even less pricing equity for employer purchasers.**

It's critical that employer purchasers continue to look for ways to stay engaged in these discussions.

Key Rx Purchaser Policy Principles

Full transparency -

Purchasers need to understand direct and indirect costs and cost offsets of each drug

No conflicts of interest -

Intermediaries should act in the best interest of the benefit plan's limited assets

Pricing equity -

Need better world-wide pricing equity for all US Purchasers - not just Medicare

Defined value -

Consider individualized appropriateness, real world outcomes and relative costs against other treatment options

Competitive market dynamics -

As patent protections expire, policy must better enforce and support a competitive market

Health Policy in Transit A Purchaser Viewpoint