

What Would (Should) CMS Do?

A Debate on Options for Drug Price Negotiations

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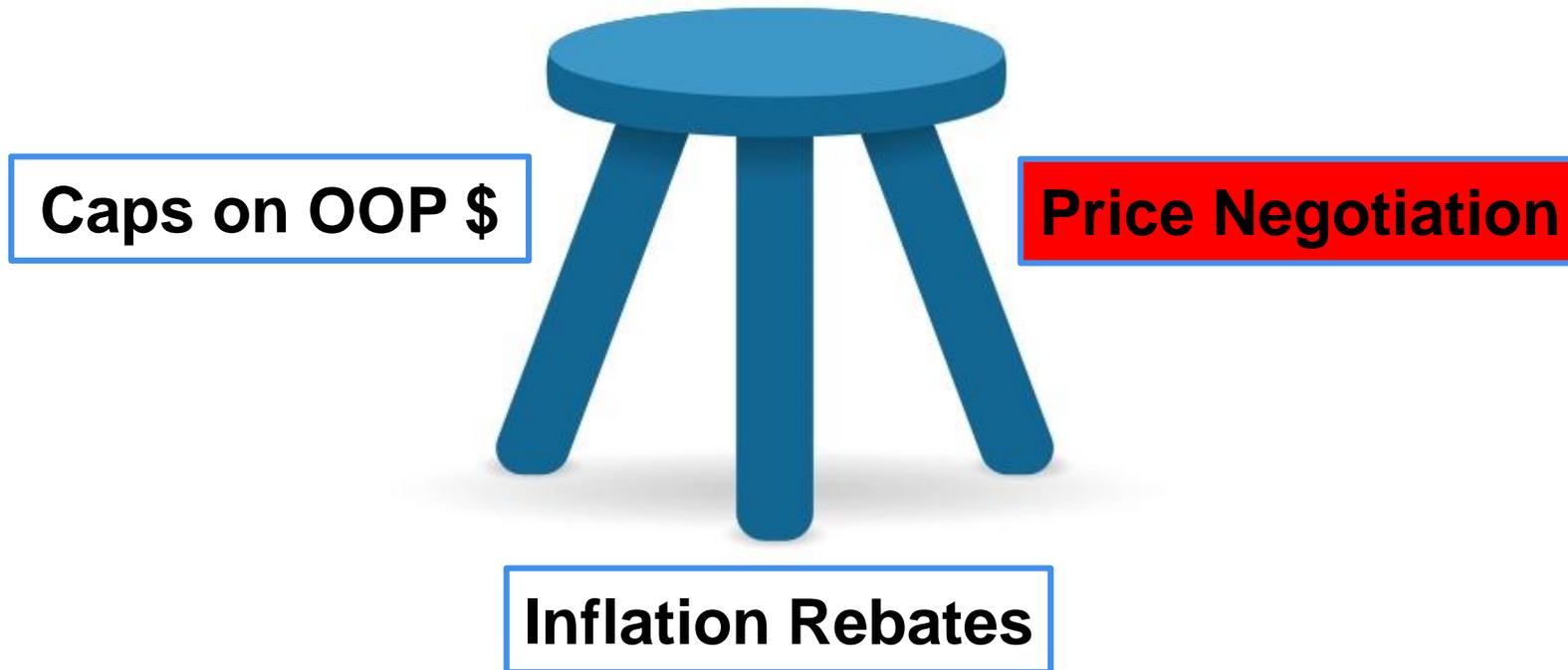


Disclosures

- Data and visualizations presented from an initiative funded by Commonwealth Fund



The Inflation Reduction Act





CMS Guidance (March 2023)

- “Therapeutic alternatives” to guide:
 - Assessment of clinical benefit of chosen drugs
 - Foundation for price setting
- All indications/doses grouped together
- Alternatives selected based on:
 - Clinical guidelines
 - Other published evidence
 - Submissions from industry and others
- Up to 3 negotiating sessions





What CMS Can Consider

- R&D costs
- Federal R&D support
- Production/distribution costs
- Data on pending and approved patents
- Market data on revenues in US
- **Alternative treatments**
- **Comparative effectiveness and prescribing information on drugs and alternatives**
- **Unmet need**



What CMS Cannot Consider



~~Q/As~~



Directions CMS Could Go

- (Non-QALY) CEA
- Clinical benefit rating
- “Multi-modal” (e.g., MCDA, SROI)
- +/- reference pricing?

TuftsMedicine

Potential Measures for Drug Pricing Negotiation

Summarizing Health

MEASURE	HOW IS IT USED?	PROS	CONS	HOW COULD PAYERS USE IT?
LY Life Year	LY= Life expectancy given a certain age, disease, and other risk factors Cost per LY gained $\frac{\text{Cost}_{\text{new}} - \text{Cost}_{\text{com}}}{\text{LY}_{\text{new}} - \text{LY}_{\text{com}}}$	<ul style="list-style-type: none">• Allows for comparison across diseases and treatments• Does not require a measure of quality of life	<ul style="list-style-type: none">• Does not adjust for quality of life• Requires robust data on life expectancy	Pay lower of: <ul style="list-style-type: none">• Price that meets cost/ LY threshold (e.g., \$100k)• Ceiling price set in IRA
QALY Quality-Adjusted Life Year	QALY = LY saved * Utility Cost per QALY gained $\frac{\text{Cost}_{\text{new}} - \text{Cost}_{\text{com}}}{\text{QALY}_{\text{new}} - \text{QALY}_{\text{com}}}$	<ul style="list-style-type: none">• Allows for comparisons across diseases and treatments• Straightforward method to measure gain in length AND quality of life	<ul style="list-style-type: none">• Disadvantages for severe/ disabling disease• Value to whom?• Assumes all QALYs carry the same social value	Pay lower of: <ul style="list-style-type: none">• Price that meets cost/ QALY threshold• Ceiling price set in IRA

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Thank You!

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