

Highlights from the Fall 2010 Applied Pharmacoeconomics and Outcomes Research Forum

The seventh Applied Pharmacoeconomics and Outcomes Research Forum was held September 27th at the University of California San Diego, Price Center. The event was hosted by the Skaggs School of Pharmacy and Pharmaceutical Sciences and supported by a grant from Partnership for Health Analytic Research.

The topic for the Forum was “***Pharmacoeconomics and Pricing: Now and After Health Care reform***”.

Pricing Basics and What to Expect from Health Care Reform

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Issues for Medical Centers

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Issues for Pharmacy Benefit Managers (PBMs)

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Forum participants included representatives from managed care, government, pharmaceutical and biotech companies, medical centers and academia. Each was invited because of mutual interest in expanding the practical application of pharmacoeconomic and outcomes research to enhance decision-making. A list of represented companies is at the end of this document.

Speaker slides are posted at: <http://pharmacy.ucsd.edu/faculty/research.shtml>

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- **Pricing Basics**
 - Three basic choices for pricing: Premium, Parity or Penetration
 - Several “prices” in the alphabet soup of US drug pricing system
 - Average Wholesale Price (AWP)
 - Wholesale Acquisition Cost (WAC)
 - Average Selling Price (ASP)
 - Average Manufacturer Price (AMP)
 - The flow of prices between stakeholders is complicated

- **Value of Pharmacoeconomics Today Is Questionable**
- **At best Pharmacoeconomics should:**
 - Drive clinical research protocols
 - Describe important aspects of the market
 - Inform and guide pricing and marketing decisions
 - Help customers
 - comprehend product value & use products efficiently and effectively

- **Value is at the core of product pricing**
- **US Healthcare Insurance Reform**
 - Patient Protection and Affordable Care Act (PPACA))
- **Some Key Implications affecting pricing**
 - Medicaid
 - Expand eligibility
 - Basic rebate moving from 15.1% to 23.1%
 - 340B Expansion
 - More entities are eligible for the program; therefore additional product volume will be subject to mandatory discounts
 - Medicare
 - Could see 6 million patients added to Part D
 - Potential for increased commercial rebating requests
 - Donut hole rebate to expand through 2020
 - Biosimilars
 - Path for “highly similar” biologic products after 12 years exclusivity
 - Approval via newly-created abbreviated biologic product application (aBPA)

Issues for Medical Centers

- **Potential Impacts of PPACA on UC Davis Medical Center**
 - Medicaid expansion – decreased profitability of retail pharmacy
 - Increased Medicaid rebate – decreased 340B price/increased inpatient price \$3-5M savings
 - Inpatient 340B expansion - \$5M savings
 - Medicare Part D expansion – increased profitability of retail pharmacy

- **Use of pharmacoeconomics at UC Davis Medical Center**
 - Cost minimization for inpatients
 - Relatively unsophisticated
 - Not entirely siloed – do consider some large across budget impacts
 - Look at reimbursement and impact on profitability, especially in clinic setting
 - Expect little change in use of pharmacoeconomics due to PPACA

Issues for Pharmacy Benefit Managers

➤ **Types of PBM Models**

- Fulfillment driven model
- Engine driven model
- Provider driven model
- Rebate driven model
- Net low cost driven model

➤ **Average Manufacturers Price (AMP) Important to Pharmacies – thus PBMs**

- Key revisions to proposed AMP as of October 1st, 2010
 - Improved Method Of Calculating Federal Upper Limits (FULs)
 - Fewer Caps On Medicaid Reimbursement
 - Limited AMP Website
 - New Definition Excludes Improper Sales
 - Specifically Excludes From AMP:
 - Customary prompt pay discounts
 - Bona fide service fees
 - Reimbursement for returns
 - Sales and rebates to PBMs, mail order pharmacies, plans, hospitals, clinics, LTC pharmacies

➤ **Future opportunities for PBMs**

- Increase in the number of insured lives
- Aging population
- Closing of the doughnut hole
- Specialty growth
- Generic pipeline
- 340B partnerships
- MTM opportunities
- Adjunct/alternative sales

LIST OF REPRESENTED COMPANIES ATTENDING

Aetna	Partnership for Health Analytic
Aequitas	Research
Allergan	Prescription Solutions
Amgen	PRO –Spectus
Amylin	ReimbursementIQ
Astra Zeneca	Sharp Healthcare
Bristol Meyers Squibb	Sharp Rees-Stealy
E.B.D. Group	Touro University
Health Economic Associates	UC Davis Medical Center
Kaiser Permanente	UCSD Medical Center
MedImpact Healthcare Systems	UCSD School of Medicine
Medi-Cal Dept Healthcare Services	UCSD School of Pharmacy
Miller Pharma Consulting	USC School of Pharmacy
Milliman	UCSF School of Pharmacy
Novartis	VA – San Diego
Ortho-McNeil Janssen	Veritas
Pfizer	Western University Health Sciences

Purpose of Applied Pharmacoeconomic and Outcomes Research Forums

The number of individuals in the Southern California region with interest in pharmacoeconomics (PE) is growing rapidly across the healthcare system - from those involved with creation of PE data within pharmaceutical and biotech companies to those incorporating results into decision making within a plethora of managed care organizations. The region provides an excellent opportunity to gather individuals to debate issues, and propose solutions that are vetted from multiple perspectives – not just individual silos defined by employer.

The Applied Pharmacoeconomic and Outcomes Research Forum was created to facilitate this cross perspective communication. The goals of the forum are to:

1. Discuss commonly encountered obstacles to conducting or utilizing results of applied pharmacoeconomic studies and explore solutions from various perspectives of the health care system.
2. Create an environment and foundation to foster the creation of a Southern California Pharmacoeconomic and Outcomes Research Interest Group

Current steering committee members are:

Charles Daniels, RPh, PhD
UCSD Healthcare Department of Pharmacy

Darlene Fujimoto, PharmD
UCSD Healthcare Department of Pharmacy

Ted Ganiats, MD
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