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# Sticker Shock! - What Impact do High Prices have on the Major Payers?

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# Outline

## ■ BC PharmaCare Context

- PharmaCare expenses/ budget
- Review processes

## ■ Managing Price and Cost Pressures

- Generics
- Patented drugs – pCPA, EDRD, hepatitis C, SEB's

## ■ Summary - Ongoing Challenges

# PharmaCare Context

## ■ PharmCare funds:

### □ PharmaCare

#### ■ Drugs

#### ■ Pharmacy fees (e.g., dispensing, professional)

#### ■ Selected medical supplies

### □ Centre for Excellence for HIV/AIDS - Drug Treatment Program

## ■ **FY 14/15 PharmaCare Budget: \$1.079 billion**

### □ reduced by \$100M this FY

# PharmaCare FY 12/13 Trends Report

Table J—Comparison of PharmaCare Claims Expenditures for Selected Fiscal Years

Fiscal Year	4 Years Ago 2008/2009	1 Year Ago 2011/2012	2012/ 2013	1 Year Change	4 Year Change
Number of claims (millions)	26.14	29.77	30.83	3.6%	17.9%
Number of beneficiaries (millions)	0.77	0.82	0.79	-3.7%	2.6%
Avg number of claims per beneficiary	33.82	36.49	38.87	6.5%	14.9%
Ingredient cost paid (millions)	\$723.16	\$767.49	\$748.96	-2.4%	3.6%
Professional and capitation fees paid (millions)	\$182.63	\$215.29	\$222.83	3.5%	22.0%
Total amount paid (millions)	\$905.79	\$982.78	\$971.79	-1.1%	7.3%
Avg total amount paid per claim	\$34.65	\$33.02	\$31.52	-4.5%	-9.0%
Avg days' supply per claim	24.23	22.40	21.16	-5.5%	-12.7%
Avg total paid cost per beneficiary	\$1,171.66	\$1,204.64	\$1,225.33	1.7%	4.6%
Total B.C. population (millions)	4.37	4.56	4.60	0.9%	5.3%

Source: Policy, Outcomes Evaluation and Research, Medical Beneficiary and Pharmaceutical Services Division, Ministry of Health. Retrieved October 2, 2013, HealthIdeas. Data for the period April 1, 2012, to March 31, 2013.

# Drug Review Processes

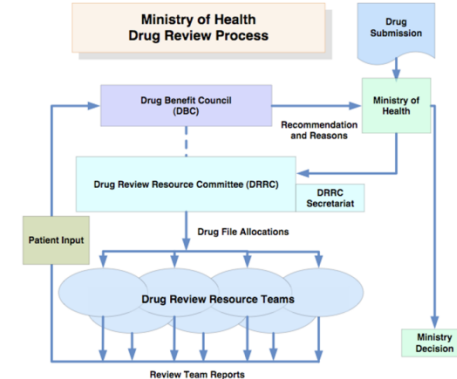
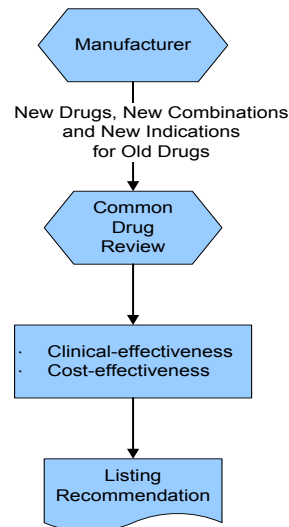
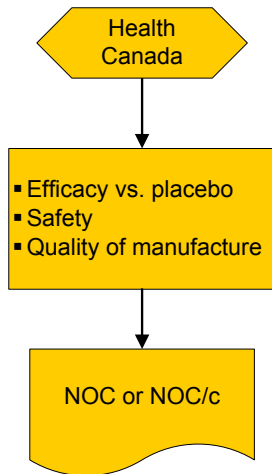


## I. Health Canada

## II. CDR (CADTH)

## III. Pan-Canadian Pharmaceutical Alliance (pCPA)

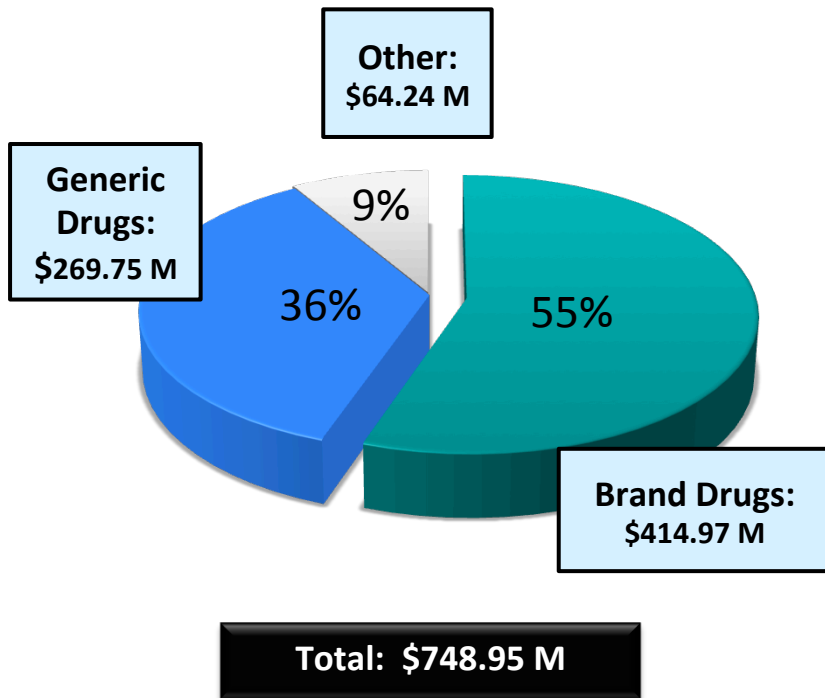
## IV. BC



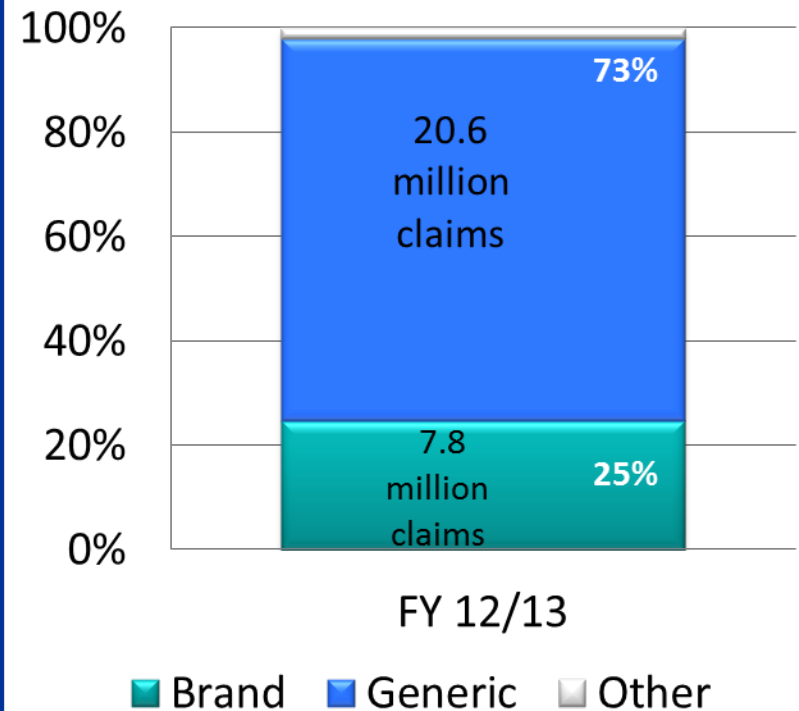
- Evidence-informed process
- Aim to select best drugs for best value

# BC PharmaCare Patented vs. Generics

## PharmaCare Expenditure FY2012/2013: Product Costs



## % and number of PharmaCare Paid Claims



# Generic Drug Pricing Regulations

- April 1, 2013: reduced price to 25% of the brand
- April 1, 2014: further reduced price to 20% of brand
- 2013/14: \$100 million savings achieved through lower costs of generic drugs
- Pan-Canadian generic drug price: 18%
  - 10 products effective thus far
  - 4 more effective April 2015

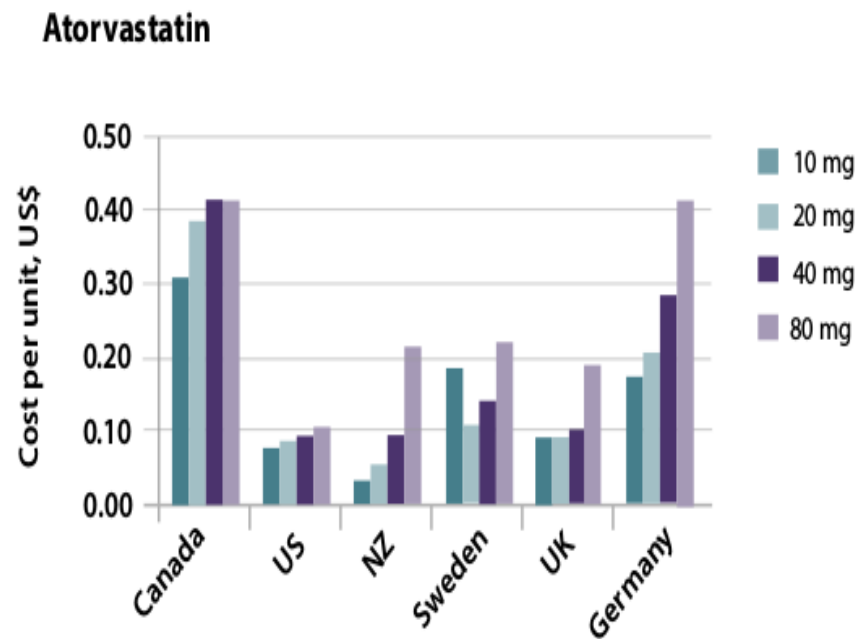
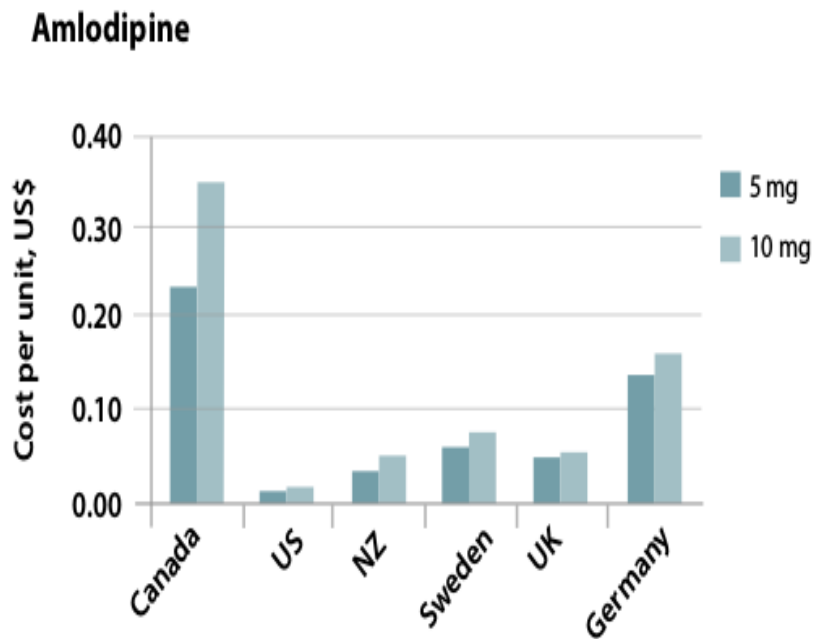
# Pan-Canadian Pricing Initiatives - Generics

## Pan-Canadian overpricing of medicines: a 6-country study of cost control for generic medicines

Reed F Beall, Jason W Nickerson, Amir Attaran

<http://www.openmedicine.ca/article/view/645/566>

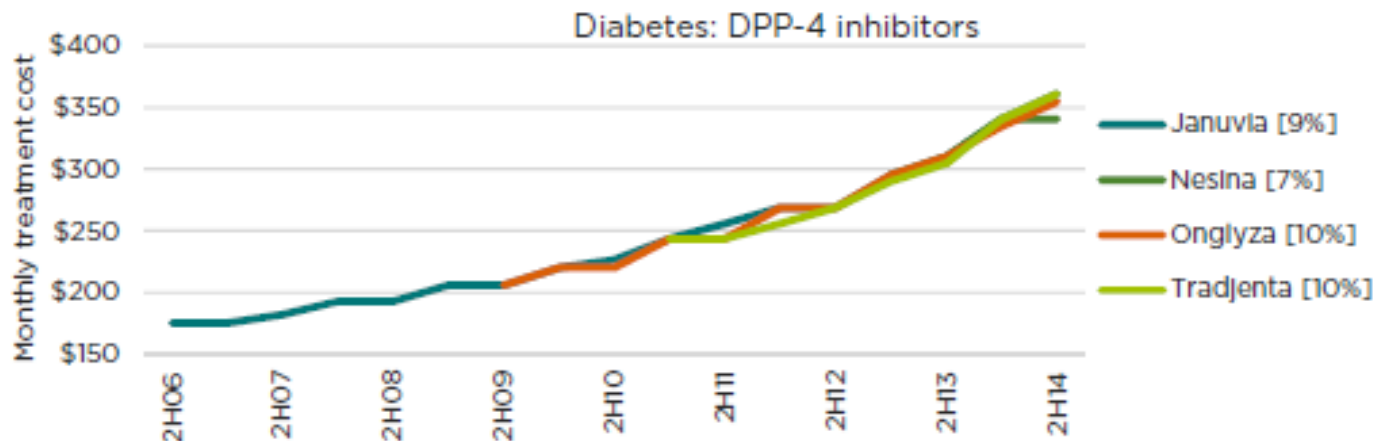
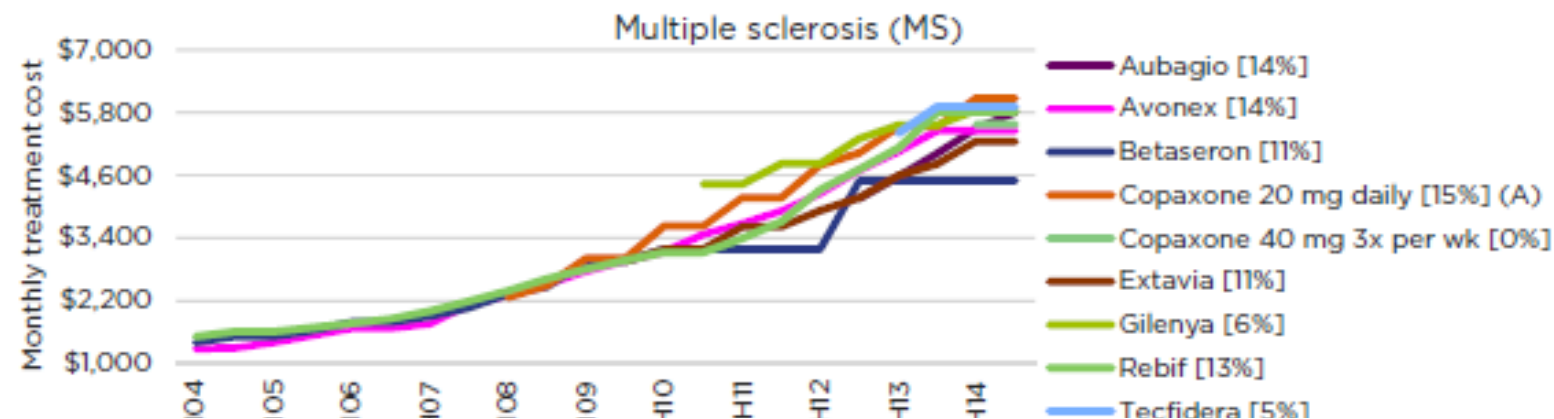
Authors - *“uniquely Canadian stupidity”* (Star Oct 14/2014)





# Patented Drugs – Increasing Prices (even with new competition)

- US Data; Avg Wholesale Price (AWP) data in competitive areas



Source: BioCentury Sept 2014 – Paying the Piper

# Patented Drugs - Managing drug price & cost pressures

- PMPRB
  - Non-excessive relative to comparators
- Rigorous drug selection process
  - CDR, DBC; May involve therapeutic reviews
- Negotiate Prices
  - pCPA completed >50 negotiations (>20 ongoing)
  - QC and private market not engaged
- Optimize prescribing
  - Special Authority, academic detailing, guidelines

# Expensive Drugs for Rare Diseases (EDRD)

Generic	Brand	Indication	CDR Review?	CDR Recomm.#	National Negotiation	Cost/Yr/Pt*
imiglucerase	Cerezyme <sup>®</sup>	Gaucher	N		N	\$300,000
velaglucerase	VPRIV <sup>®</sup>	Gaucher	Y	LWCC	N	\$300,000
miglustat	Zavesca <sup>®</sup>	Gaucher	Y	DNL	N	\$225,000
miglustat	Zavesca <sup>®</sup>	Neimann Pick C	N		N	\$225,000
agalsidase alpha	Replagal <sup>®</sup>	Fabry	Y	DNL	Y	\$225,000
agalsidase beta	Fabrazyme <sup>®</sup>	Fabry	Y	DNL	Y	\$225,000
alglucosidase	Myozyme <sup>®</sup>	Pompe - Infant	Y	LWC	N	\$700,000
alglucosidase	Myozyme <sup>®</sup>	Pompe – Late	Y	DNL	N	\$700,000
canakinumab	Ilaris <sup>®</sup>	CAPS	Y	DNL	N	\$200,000
laronidase	Aldurazyme <sup>®</sup>	MPS I	Y	DNL	N	\$435,000
idursulfase	Elaprase <sup>®</sup>	MPS II (Hunter's)	Y	DNL	N	\$500,000
galsulfase	Naglazyme <sup>®</sup>	MPS VI	N		N	\$925,000
eculizumab	Soliris <sup>®</sup>	PNH	Y	DNLASP	Y	\$525,000
eculizumab	Soliris <sup>®</sup>	aHUS	Y	DNL	N	\$747,000
sapropterin	Kuvan	PKU	Y	DNL	Y	\$170,000
ivacaftor	Kalydeco <sup>®</sup>	CF G551D mutn	Y	LWCC	Y	\$306,000
ivacaftor	Kalydeco <sup>®</sup>	CF CFTR mutn	Y	LWCC		\$306,000
elosulfase	Vimizim	MPS IV (Morquio)	Y	UR		\$550,000
taliglucerase	Elelyso	Gaucher	Y	UR		

# CDR Recommendation: DNL = do not list, DNLASP = do not list at submitted price, LWC/C = list with criteria/conditions, UR = under review

\*Cost/Yr/Pt – approx. cost based on list price; many are wt-based so cost may represent higher wt costs

# EDRD: Health Canada's Orphan Drug Regulatory Framework

- Expect later in 2015
- Framework highlights
  - Intended to improve patient access and manufacture accountability of drugs developed for rare diseases
  - Provides new pre- & and post-market tools
  - Post-market tools may include evidence development requirements and suspension or revocation of market authorization
- Payers concerns
  - Approval of more excessively priced drugs with even less evidence
  - Post-market evidence gathering - roles & funding
  - Difficult to stop drug coverage if drugs found to be non-beneficial

# EDRD Challenges

- Limited clinical evidence and long term data
- Drugs are not considered cost-effective
  - many cost more than \$1M/QALY
- Developers not transparent about true R&D costs
- Limited clinical options make for difficult decisions
- Drug costs exceed public willingness to pay (WTP)
  - UBC researchers evaluated public WTP threshold \*
  - Methods– survey of >2000 nationally (except QC)
  - Results: maximum annual WTP was \$36K-100k per patient
- Competing Opportunity Costs in Governments

\*<https://circle.ubc.ca/handle/2429/46537> . Rizzardo, S. An evaluation of Canadians values and attitudes towards expensive drugs for rare diseases. Personal Communication Feb 2015

# EDRD – Need for Fair Pricing Approach

## ■ Fairness for payers

- ❑ Good value for money, cost-effective & affordable (so we can buy other things)
- ❑ Fair return to developers (so they develop other products)
- ❑ Not: free

## ■ Fairness to developers

- ❑ Profit for money invested, ROI to offset development risks
- ❑ Fair price to customer (so they buy more)
- ❑ Not: free

## ■ Explore alternative pricing models?

- ❑ Options...what next?
  - Price setting (based on willingness to pay)?
  - Profit-based tiered pricing?
  - Pricing based on effectiveness?

# What's Next?

## ■ New Hepatitis C Treatments

- ❑ Better 'cure' 90%+ , shorter regimens, better tolerated, oral
- ❑ Cost per course: \$60,000 to \$120,000+
- ❑ Improved cost effectiveness BUT affordability concern  
(e.g., if treat 50,000 in BC at \$60,000 pp → cost \$3 B.)
- ❑ US experience: 3<sup>rd</sup> party insurers picking sole providers

## ■ Subsequent Entry Biologics (SEBs)

- ❑ Products designed to give price relief when patents expire
- ❑ E.g., Infliximab - PharmaCare's # 1 drug @ \$51M (FY 12/13)  
SEB is priced 35% lower than innovator
- ❑ Adoption challenges possible

# Summary – Payer Challenges with High Drug Prices



- Some progress with managing price & cost pressures
- Patient and prescriber expectations / demand
  - Drug plans cannot pay for everything
- Generic drugs
  - Despite new policies, Canada still over pays
- Brand drugs
  - Ongoing challenges – prices, affordability, EDRD, etc.
  - Negotiations have limitations
- Researchers – explore other fair pricing approaches