



Department of
Health Policy



SCHOOL OF MEDICINE
VANDERBILT UNIVERSITY

International Reference Pricing and Other Options For Limiting Spending on Drugs

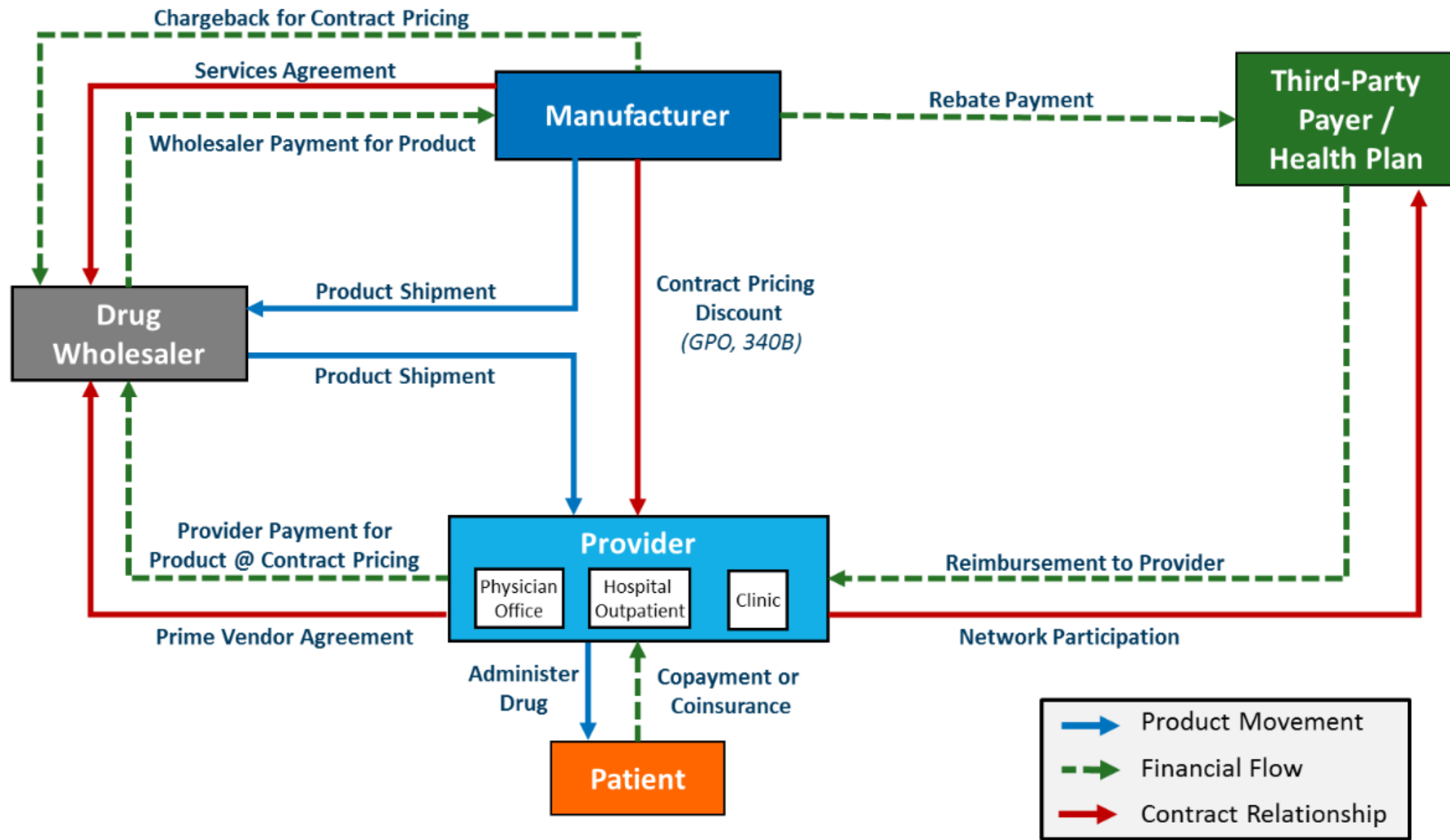
Stacie B. Dusetzina, PhD

Associate Professor of Health Policy

Ingram Associate Professor of Cancer Research

Current State for Part B Drugs

- No price competition for branded drugs.
- Current model incentivizes use of more expensive drugs through “average sales price” + % model.
- “Generic” entry is complicated (biosimilars).



GPO = Group Purchasing Organization; 340B = 340B Drug Pricing Program. Chart illustrates flows for **Provider-Administered, Outpatient Drugs**. Please note that this chart is illustrative. It is not intended to be a complete representation of every type of financial, product flow, or contractual relationship in the marketplace. Source: Fein, Adam. J., *The 2016–17 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors*, Drug Channels Institute, September 2016, Exhibit 28. Available at http://drugchannelsinstitute.com/products/industry_report/wholesale/.

International Pricing Index Model Demo

- Use a “vendor” to act as the supplier of Part B drugs to physicians / hospital outpatient departments.
- Index US prices based on international comparators instead of average sales price.
- Change the drug-specific add-on (+6% payment) to a flat fee.

International Pricing Index (Continued)

- Pros
 - Only proposal targeting price
 - Decouples reimbursement to physician from \$\$
- Cons
 - Creates a PBM-like entity (Vendor) to manage drugs / negotiation
 - Uses prices from other countries to set our price

Other Part B Related Proposals

- In 2018 CMS announced that Medicare Advantage plans could use step therapy for Part B drugs.
- Considering moving drugs from Part B to Part D with the goal of increasing negotiation.



Thank you!

Department of
Health Policy



SCHOOL OF MEDICINE
VANDERBILT UNIVERSITY

s.dusetzina@vanderbilt.edu

@DusetzinaS