International Reference

Pricing and Other Options For Limiting Spending on Drugs

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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.

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!

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