

Health Policy in Transit A Purchaser Viewpoint

"American Patients First" Blueprint

On May 11, the Trump Administration released "American Patients First," the President's blueprint to lower drug prices and reduce out-of-pocket costs for consumers. The document identifies four challenges: 1) high list of prices for prescription drugs, 2) lack of price negotiation tools in federal health programs, 3) high and rising out-of-pocket costs for consumers and 4) US footing the bill for lack of foreign countries' investment in research and development.

The plan identifies four key strategies for reform in two phases, including actions the President may direct HHS to take immediately, and actions HHS is considering, on which feedback is being solicited. The four strategies are: 1) increased competition, 2) better negotiation, 3) incentives for lowering list prices, and 4) lowering out-of-pocket costs.

The immediate actions include making drug prices and price increases more transparent to consumers by releasing a public dashboard of Medicare prices and banning "gag" clauses on pharmacists that prevent them from telling patients about lower-cost alternatives not covered by their health plans. Many of the actions require agencies - CMS and/or FDA - to issue and finalize regulations and will, therefore, take longer to implement. One such longer-term action is removing government impediments to value-based purchasing by private payers. The Blueprint calls on CMS to develop demonstration projects to lower drug prices and encourage value-based care. The models should "hold [drug] manufacturers accountable for all outcomes, align with CMS' priorities for value over volume and site-neutral payments, and provide Medicare providers, payers, and states with additional tools to manage spending for high-cost therapies."

Some Observations from a Purchaser Perspective

- The Blueprint emphasizes transparency on drug prices. The theory is that informed patients can be price-sensitive in their drug treatment decisions. However, a patient is rarely exposed to the full cost of the medication and the drug's relative clinical value to a patient should also be a consideration in a true value determination.
- CMS' new models to address this Blueprint action should focus on both cost and clinical effectiveness. Value assessments will be especially useful in allowing formulary substitutions of drugs in certain protected classes and sole-source generics.
- It is concerning that there is no mention of ways to include employer purchasers in designing or benefiting from solutions. Employers share the brunt of high drug costs through cost shifting and extraordinary markups across the supply chain.
- Specialty drugs are not specifically addressed in the Blueprint. While these new drugs are truly innovative and important, the specialty drug marketplace itself is dysfunctional with high costs, high variation, and high waste. The effect of this is seen across the entire supply chain. The National Alliance together with several of its member coalitions has developed [recommendations](#) that can serve as a guidepost in these efforts.

Purchasers in the private and public sectors (including public programs) have a shared interest to influence and help transform the drug marketplace. Employers welcome constructive actions that will promote better value and mitigate costs that are increasingly unaffordable, unsustainable and inequitable.

[Public comment](#) on the Blueprint is being accepted through July 16, 2018.