

## Oncology Care Value Based Care Emerges

### *Inflation Reduction Act Impact: Oncology Biopharma, Providers, Patients & Plans*

We participated in the value based cancer care meetings in New York this week ([here](#)). Our highlights from day one of the Association for Value Based Cancer Care conf can be found [below](#). We will highlight other policy and economic impact & themes for manufacturers, insurers, PBMs and 340B hospitals in several forthcoming memos.

#### VBC IN CANCER – INFLECTION POINT?

- **VBC oncology agreements are in their early days, but the inflection point is here & now.** Triangulated contracts (pharma, providers, payers) are positive for industry. Ongoing adoption issues include (1) Data acquisition / needed for endpoints (2) *Inflation Reduction Act* allowing Rx negotiation in Medicare means that we are living in an uncertain, changing landscape. Experts feel that the curve will start flattening as it pertains to the growth of VBA (value based arrangement) contracts.
- **There are few biopharma VBC contracts in oncology, but the number is expected to grow as oncology treatment prices increase, and Medicare drug negotiation ensues.** Higher launch prices -- reaction to the new Medicare Maximum Fair Price -- will mean that payers may react with more barriers (e.g., preauthorization).
- **Declining R&D spend and increased use of orphan drug indications would have a negative impact to VBAs.** VBA is being used in high price pharmaceuticals. Since more drugs may be launched at higher prices, especially due to IRA passage, insurers are looking for value. Bluebird bio & Point 32 Health: Bluebird's gene therapy, ZYNTEGLO, holds a WAC of \$2.8 M priced to reflect potentially curative clinical benefit through transfusion independence and normal hemoglobin levels. The outcomes-based contract offering includes single upfront payment and up to 80% risk-sharing for administration in qualified treatment centers with experience delivering novel cell and gene therapies. Point 32 is a health system comprising Harvard Pilgrim and Tufts. Bluebird tapped ICER before launch for cost containment strategies.
- **Community oncology and other capitated business models are here.** Panelists discussed innovative models of community oncology care, with several publicly traded companies in attendance e.g., TOI. Cancer patients clearly benefit from social determinants of health for better outcomes, such as access to nutritious meals, transportation etc. One expert noted that MRK's Keytruda may not need to be dosed as high for the same effect, and wouldn't it be nice to use that "savings" to help patients access healthy meals? Unfortunately, the US system is not set up that way.

#### RX NEGOTIATION IMPACTS ONCOLOGY, PART D REDESIGN HELPS

- **How does *Inflation Reduction Act* impact oncology?** Part D redesign is a win for oncology patients due to limited OOP exposure. We note that there are *only* 1.5 M Part D enrollees that spend over \$2k so while helpful it only impacts a tiny % of Medicare beneficiaries. On negotiation, out of top 10 drugs in terms of Medicare spending, 4 are cancer drugs in Part D, 3 are cancer drugs in Part B. Eventually all drugs with more than \$200 M in Medicare spend are impacted. Thus, oncology drugs are likely to be negotiated at the outset. We will see a list of Medicare negotiated

drugs for 2026 on Sept 1, 2023. Inflationary rebates have limited near term impact as 2021 benchmark is 13.5%.

- **Experts predict that government will seek prices closer to manufacturing cost, rather than ceiling price of non-federal AMP.** AMP = average manufacturer's price. There is the concern of impact on pediatrics (6-month exclusivity is meaningless), as off brand prescribing is thrown off
- **Part B impact: predicted 43% decrease in ASP add-on payment for providers from Part B negotiations is negative.** If Part B drugs prices fall dramatically, they are not likely to rise again even after the drug is removed from negotiations due to ASP. This is expected to have a long term effect on providers as a result. Longer term, decrease in payment to providers means more independent providers are expected to close, with a shift of care to hospitals. One alternative policy that may be considered is to collect a rebate from manufacturers (in effect in Medicaid program).
- **Will health insurers exit Medicare Part D due to new liabilities? PBMs & 340B hospitals were spared in the new law.** Time will tell, but some experts believe that plans will exit Part D. Oncology drug utilization management going to be pressured upward. Part D redesign means that there is a \$2K cap on copays for patients. Plan liability increases, but the government will absorb premium increases. Specifically, plan catastrophic liability will increase from 15 to 60% in 2025+. There is also a 6% premium increase cap, while the government covers the rest.