SESSION III: THE SPECIALTY PHARMACEUTICALS MARKETPLACE: IS PRICE INELASTICITY SUSTAINABLE?
Exclusive: Costs to public of $84,000 hep C drug ‘outrageous’ - Kaiser

BY DEENA BEASLY

LOS ANGELES | Wed Apr 2, 2014 3:41pm EDT

(Reuters) - Kaiser Permanente, the biggest U.S. health maintenance organization, said it is using Gilead Sciences’ new hepatitis C drug, Sovaldi, even though its $84,000 treatment price is "outrageous."

The medication is widely viewed as a breakthrough that can cure a majority of hepatitis C patients, often within 12 weeks. Analysts project 2017 sales of $9.1 billion, according to Thomson Reuters Pharma.

But Gilead has come under fire, from insurers and Congress, for Sovaldi’s $1,000-a-pill price at a time when U.S. healthcare spending is under scrutiny and President Barack Obama’s Affordable Care Act aims to make health coverage accessible to everyone.

The company says Sovaldi should create huge savings for the healthcare system over time by preventing complications from liver disease and transplants, but declined requests for evidence to back up those claims. A Gilead executive told Reuters last week that it had an agreement to discount the drug for the Kaiser network, based on their recognition of the long-term benefits.
The Rise of Specialty Pharmaceuticals

- Expected to be 50% of pharmaceutical spending by 2019
- Pharmaceutical spending grew by 13.1% in 2014 to $374 Billion.

Source: http://www.nytimes.com/interactive/2013/03/19/business/for-some-spending-less-on-drugs.html
Specialty Pharmaceuticals

**EXHIBIT 1**

**Annual Cost Of Oncologic Drugs Approved By The Food And Drug Administration In 2012**

- Afinitor (everolimus)
- Bosulif (bosutinib)
- Cometrig (cabozantinib)
- Erivedge (vismodegib)
- Iclusig (ponatinib)
- Inlyta (axitinib)
- Kyprolis (carfilzomib)
- Perjeta (pertuzumab)
- Stivarga (regorafenib)
- Votrient (pazopanib)
- Xtandi (enzalutamide)
- Zaltrap (ziv-afibercept)

Annual drug cost ($)

0 30,000 60,000 90,000 120,000 150,000
Rise of Personalized Medicine

Population and Personalized Medicine in the Modern Era

Figure 3. Best Tumor Response for Each Patient.

Data regarding the best tumor response are shown for 209 patients in the vemurafenib group (Panel A) and 158 patients in the dacarbazine group (Panel B) who were registered at least 14 weeks before the clinical cutoff date on December 30, 2010, and who had undergone at least one tumor assessment after treatment. Each bar represents data for an individual patient. Colors indicate the tumor substage for each patient. The percent change from baseline in the sum of the diameters of the target lesions is shown on the y axis. Negative values indicate tumor shrinkage.
PCSK9 and Cardiovascular Disease

Regeneron and Sanofi Announce 18-Month Results of ODYSSEY LONG TERM Trial with Praluent™ (alirocumab) Published in The New England Journal of Medicine

Amgen Publishes Safety Analysis Of Investigational Cholesterol-Lowering Medication Repatha™ (evolocumab) In The New England Journal of Medicine

Specialty Pharmaceuticals

EXHIBIT 2

Rate And Percent Increase In Insurance Premiums For A New Specialty Drug Costing $100,000 Per Treated Patient, Depending On Disease Prevalence

- Premium increase ($) (red bars)
- Premium increase (%) (blue line)

Source: Authors' analysis. Notes: "Premium increase ($)" (the red bars) denote the absolute increase in premium paid; it relates to the left-hand y axis. "Premium increase %" (the blue line) relates to the right-hand y axis. For every 1 percent increase in the share of the population using the new drug, overall health care costs would be expected to increase $1,000. See the online Appendix (see Note 10 in text) for information about the derivation of the included values.

Economics

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Panel Discussion

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