

# Can Value-based Contracting Work for Pharma Companies?

*Are we extracting more value already than we believe we are, and are we asking the right questions?*

**March 2, 2018**

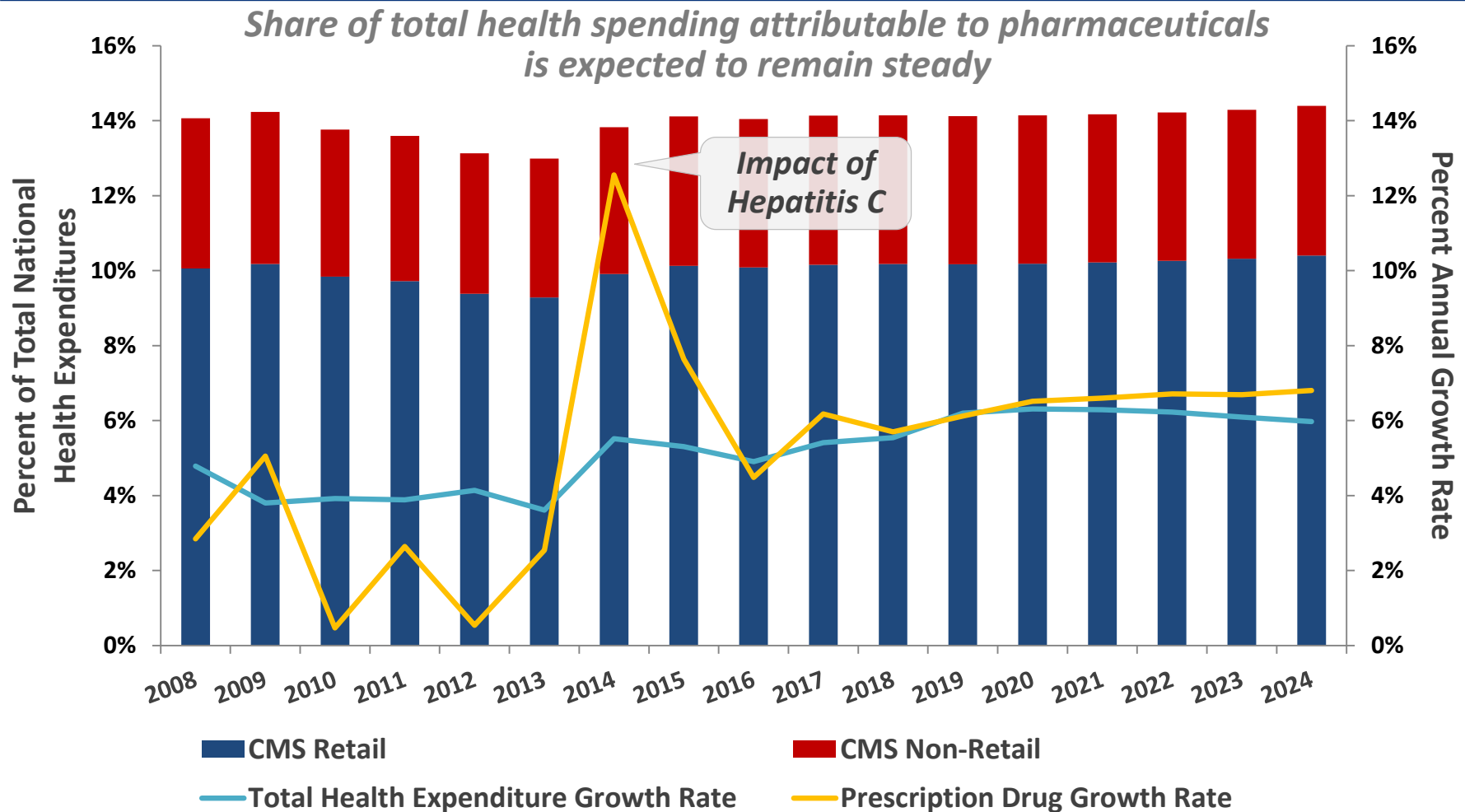
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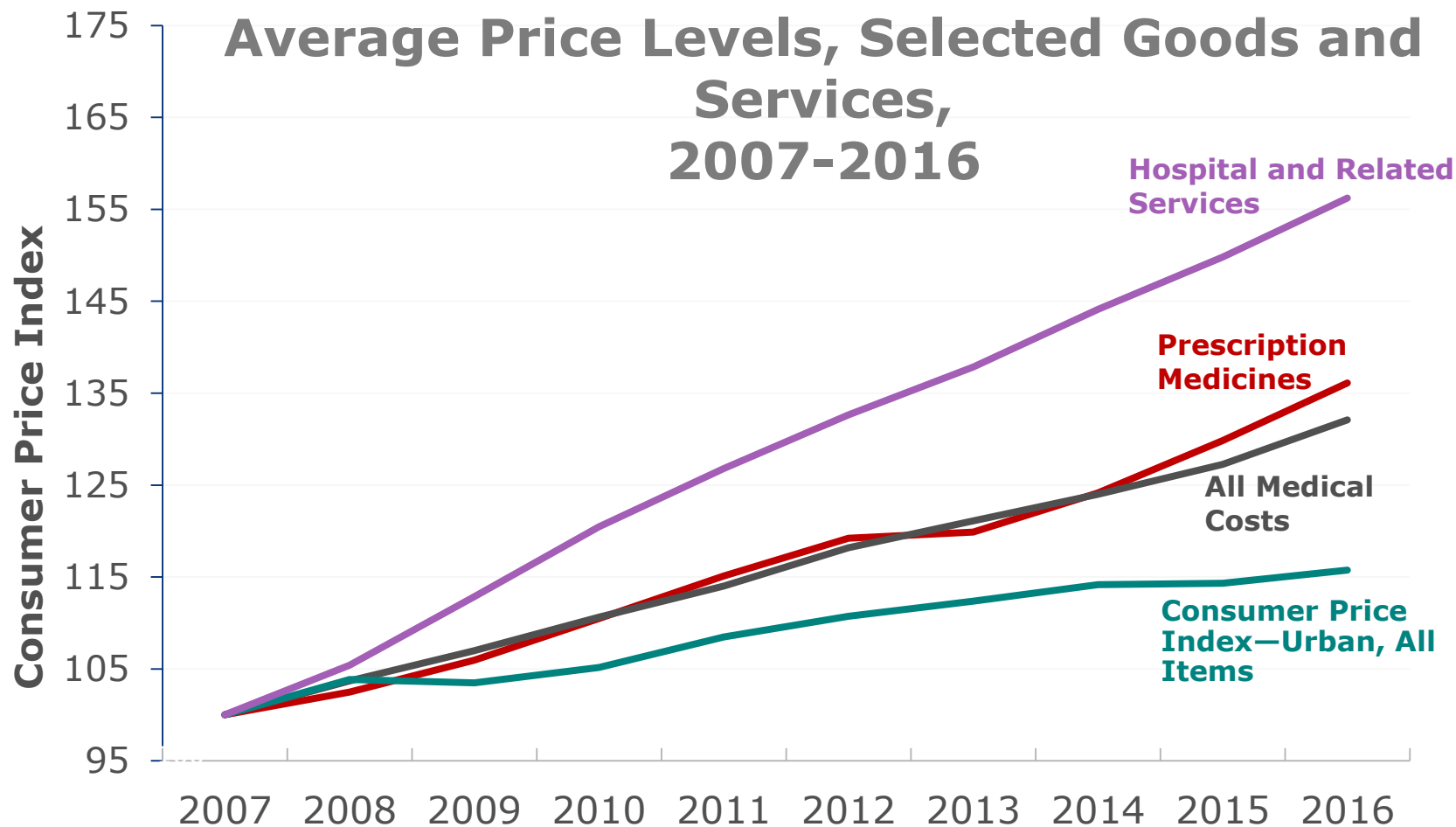
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# Drug Spending Growth is in Line with Total Health Spending



# Growth in Drug Prices Has Been in Line With Other Healthcare Prices

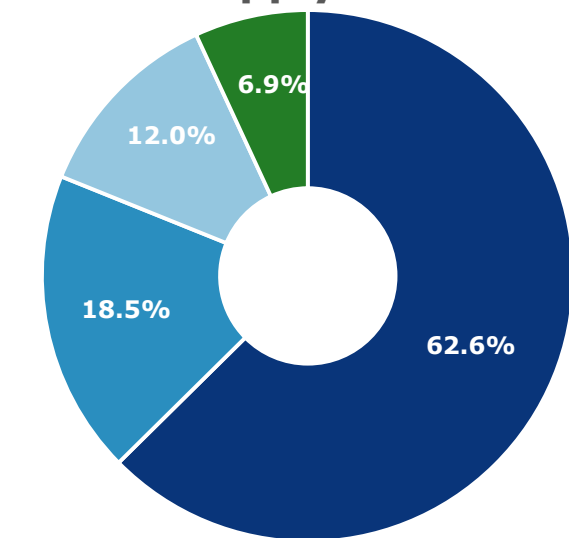


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PhRMA analysis of Bureau of Labor Statistics data. Consumer price index—all urban consumers, history table. <https://data.bls.gov/cgi-bin/dsrv?cu>. Accessed February 2017.

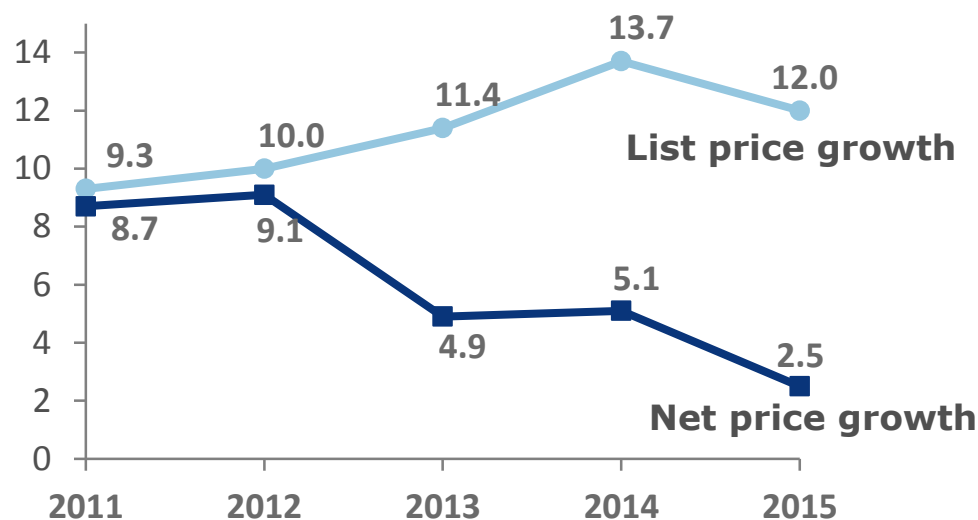
# List Price Increases Are Only Part of the Story

## 1/3 of Brand Medicine List Prices Rebated Back to Payers, Government or Retained by Supply Chain



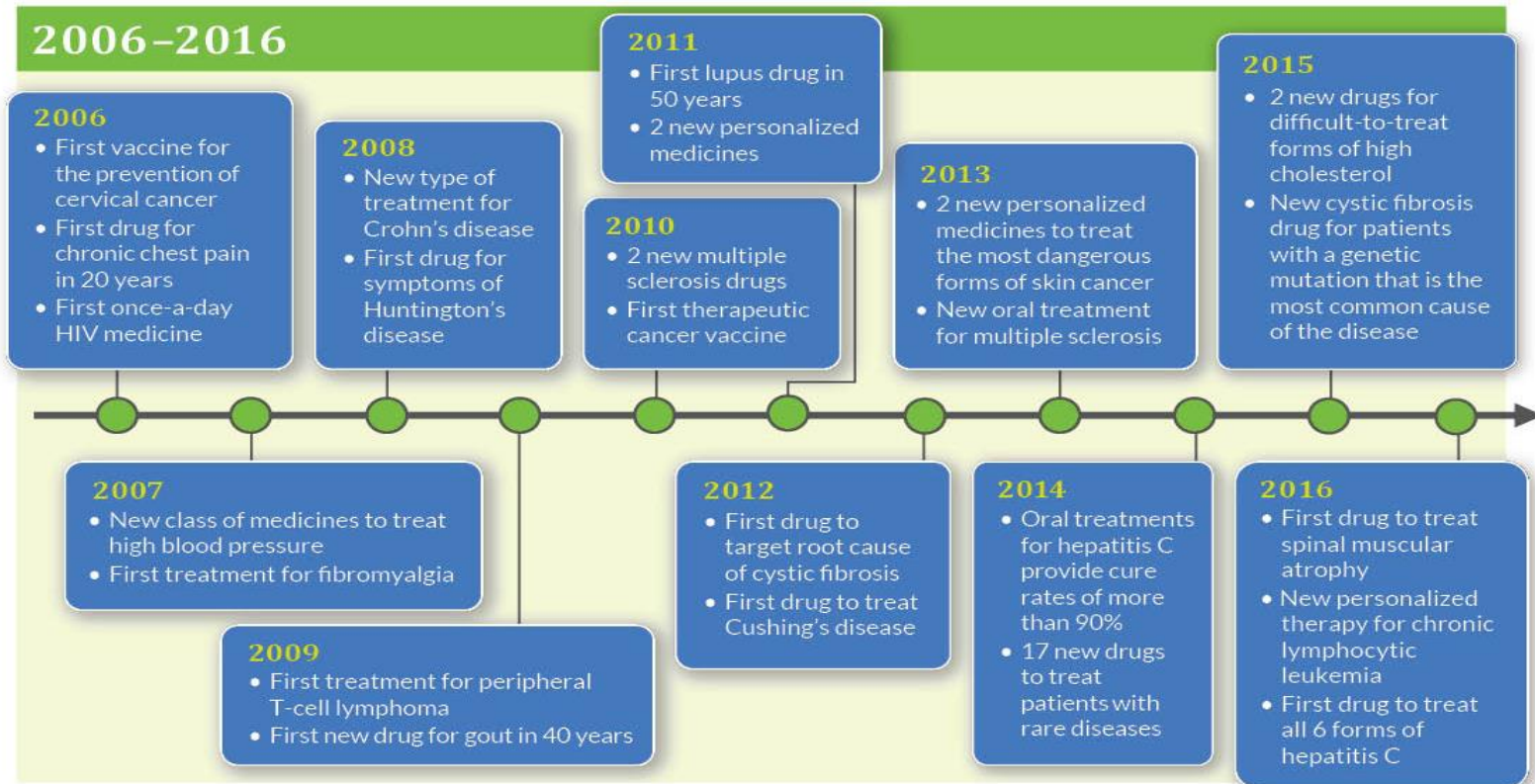
- Brand Companies
- Market Access Rebates and Discounts
- Statutory Rebates and Fees
- Supply Chain Entities

## Net Branded Pharmaceutical Price Growth is Significantly Lower than List Price Growth



***Gap between list and net reflects off-invoice rebates and discounts***

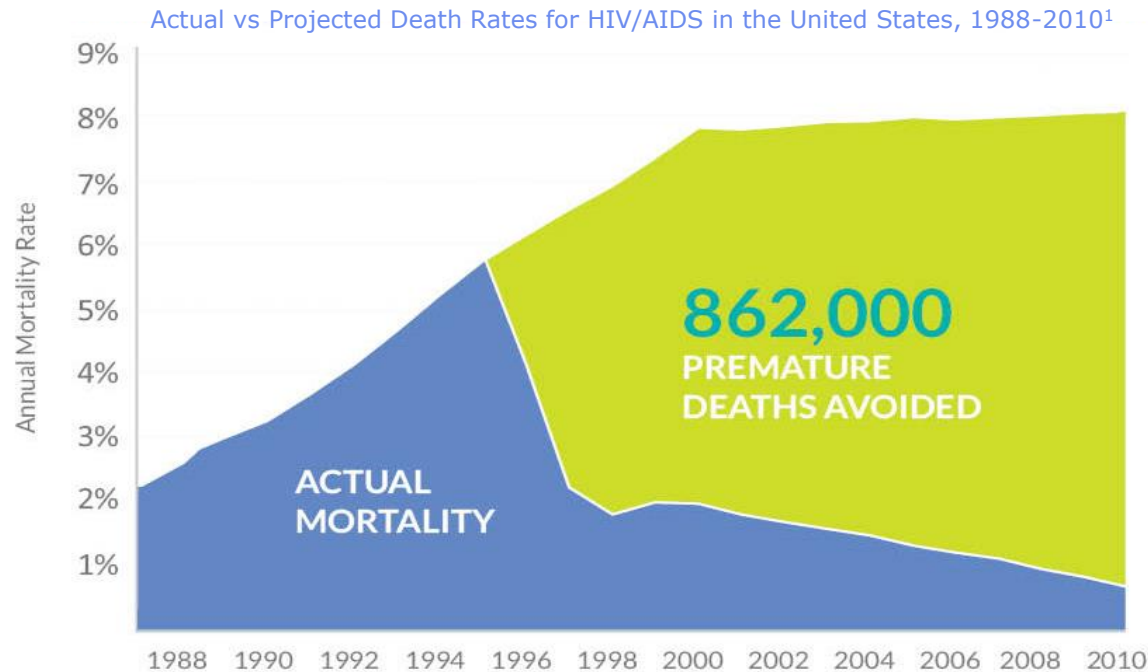
# A Decade of Advances



Source: FDA<sup>1</sup>

# HIV/AIDS: Decline in Death Rates

The number of US AIDS deaths decreased dramatically following the introduction of highly active antiretroviral treatment (HAART).<sup>1</sup> As a result of HAART and all the important medical innovations that followed, it is estimated that more than 862,000 premature deaths have been avoided in the United States alone.<sup>2</sup>



Sources: CDC<sup>1</sup>; Truven Health Analytics<sup>2</sup>



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1. Centers for Disease Control and Prevention (CDC), National Center for Health Statistics. Health, United States, 2015: with special feature on racial and ethnic health disparities. <https://www.cdc.gov/nchs/data/abus/abus15.pdf>. Published May 2016. Accessed May 2017.
2. Lacey MJ, Hanna GJ, Miller JD, Foster TS, Russell MW; Truven Health Analytics. Impact of pharmaceutical innovation in HIV/AIDS treatment during the highly active antiretroviral therapy (HAART) era in the US, 1987-2010: an epidemiologic and cost-impact modeling case study. <http://truvenhealth.com/Portals/0/Assets/Life-Sciences/White-Papers/pharma-innovation-hiv-aids-treatment.pdf>. Published December 2014. Accessed May 2017.



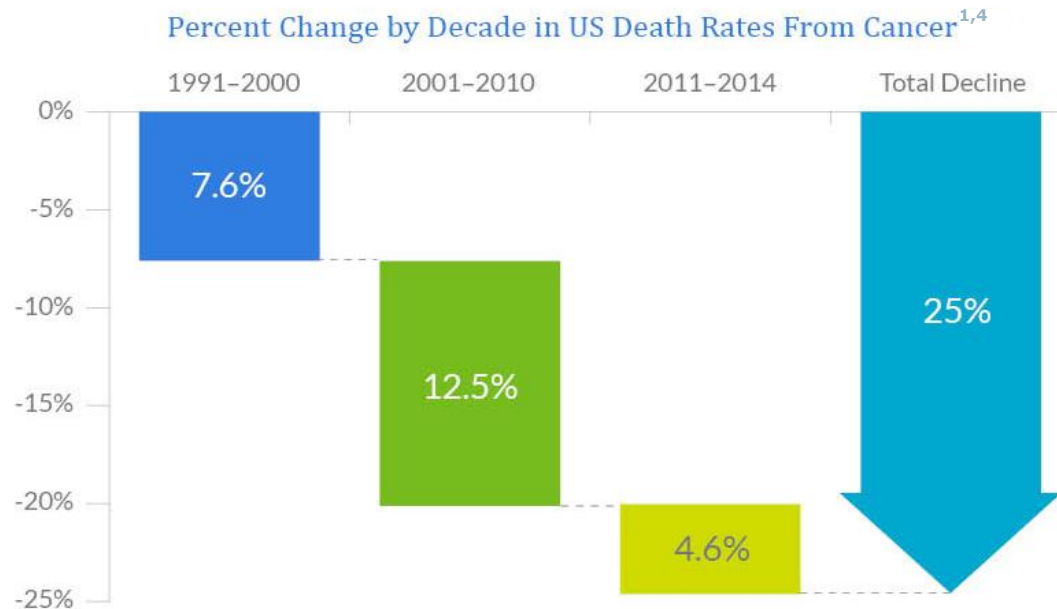
# Cancers: Decline in Death Rates

Since peaking in the 1990s, cancer death rates have declined 25%.<sup>1</sup> Approximately 73% of survival gains in cancer are attributable to new treatments, including medicines.<sup>2</sup>



*I think some of the treatments that we have developed over the last half century or so are really starting to pay off and, honestly, [it] seems limitless as to what may pay off in the future."*

— William Nelson, MD, PhD, Director, Sidney Kimmel Comprehensive Cancer Center<sup>3</sup>



Sources: ACS<sup>1</sup>; Seabury SA et al.<sup>2</sup>; Dunellari A<sup>3</sup>; NCI<sup>4</sup>



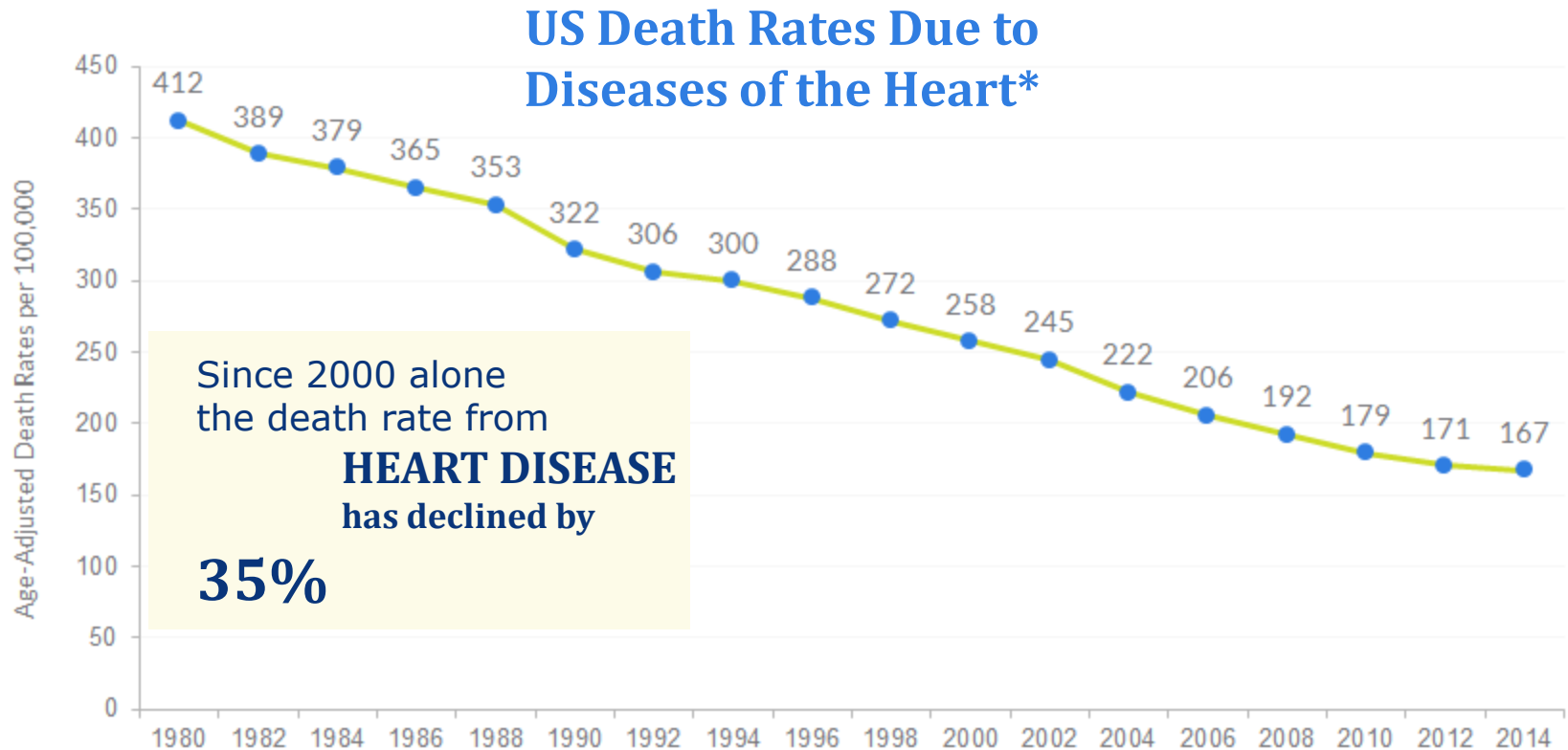
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1. American Cancer Society (ACS). Cancer facts & figures: 2017. <https://www.cancer.org/content/dam/cancer-org/research/cancer-facts-and-statistics/annual-cancer-facts-and-figures/2017/cancer-facts-and-figures-2017.pdf>. Published 2017. Accessed May 2017.
2. Seabury SA, Goldman DP, Lakdawalla DN, et al. Quantifying gains in the war on cancer due to improved treatment and earlier detection. *Forum for Health Econ Policy*. 2016;19(1):141-156.
3. Dunellari A. Researchers optimistic about future of cancer treatment. VOA. <http://www.voanews.com/content/researchers-optimistic-about-future-cancer-treatment/3144653.html>. Published January 13, 2016. Accessed May 2017.
4. National Cancer Institute (NCI), Surveillance, Epidemiology, and End Results Program. Cancer of any site: number of new cases and deaths per 100,000 people (all races, males and females), age-adjusted. <http://seer.cancer.gov/statfacts/html/l4d/all.html>. Accessed May 2017.



# Cardiovascular Disease: Declining Rates of Death

- Tremendous strides have been made in reducing cardiovascular disease morbidity and mortality, thanks in part to new medicines.



\*Age-adjusted death rates based on year 2000 US standard population. 1980-1998 causes of death are classified by the *International Classification of Diseases, Ninth Revision (ICD-9)*. Beginning in 1999, causes of death have been classified by the *International Statistical Classification of Diseases and Related Health Problems, Tenth Revision (ICD-10)*.



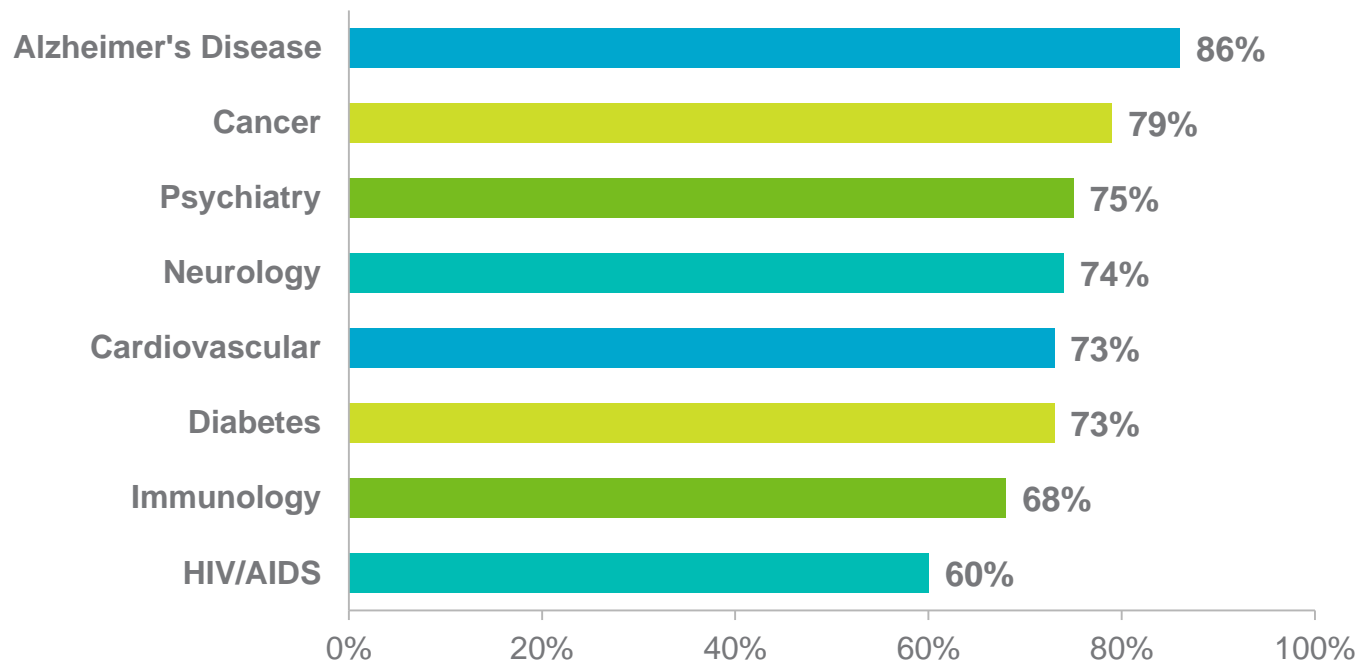
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1. Centers for Disease Control and Prevention (CDC), National Center for Health Statistics (NCHS), National Vital Statistics System. Age-adjusted death rates for 72 selected causes by race and sex using year 2000 standard population: United States, 1979-98. <http://www.cdc.gov/nchs/data/mortab/aadr7998s.pdf>. Accessed May 2017.
2. Kochanek KD, Murphy SL, Xu J, Tejada-Vera B. Centers for Disease Control and Prevention (CDC), National Center for Health Statistics, National Vital Statistics System. Deaths: final data for 2014. *Natl Vital Statistics Rep.* 2016;65(4). [https://www.cdc.gov/nchs/data/nvsr/nvsr65/nvsr65\\_04.pdf](https://www.cdc.gov/nchs/data/nvsr/nvsr65/nvsr65_04.pdf). Updated April 3, 2017. Accessed May 2017.

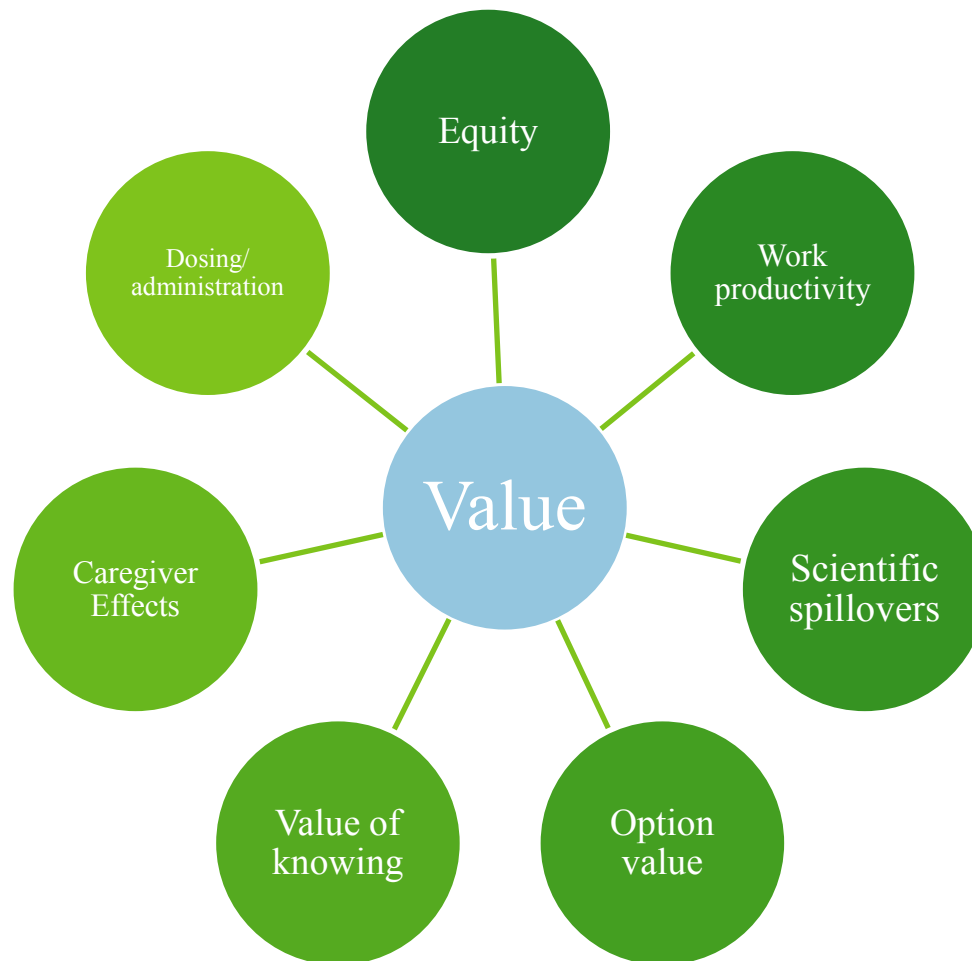
# Potential First-in-Class Medicines in the Pipeline

***An average of 80% of drugs across the pipeline are potential first-in-class medicines***

Percentage of Products in Clinical Development and Regulatory Review That Are Potentially First-in-Class, Selected Therapeutic Areas, 2016



# Other Considerations in Approaches to Value



# Pragmatic Solutions to Address Drug Cost Concerns



## Modernize the Drug Discovery and Development Process

Modernize the FDA to enable it to keep pace with scientific discovery and increase the efficiency of generic approvals



## Promote Value-Driven Health Care

Address barriers to paying for value, develop patient-centered value assessment tools, and support appropriate use of medicines



## Engage and Empower Consumers

Make information about quality and patient costs public to aid in decisions and enforce common-sense rules that prevent discrimination against vulnerable patients



## Address Market Distortions

Reform market-distorting programs such as the 340B Drug Pricing Program



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Pharmaceutical Research and Manufacturers of America (PhRMA). Policy solutions: delivering innovative treatments to patients. <http://phrma-docs.phrma.org/files/dmfile/policy-solutions4.pdf>. Published March 2016. Accessed May 2017.