Payer Trends
Impacting the Orphan Drug Market

Market growth drives demand for data-driven value propositions.

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According to the National Organization for Rare Disorders (NORD), more than 30 million Americans currently suffer from an estimated 7,000 rare diseases—diseases that have a patient population of fewer than 200,000. And while these patient populations are small, treatments for rare diseases can typically command a higher price. As a result of this market dynamic, the development of orphan drugs—those pharmaceutical products aimed at rare diseases or disorders—represents a huge market opportunity for manufacturers.

The exponential growth of the orphan drug market stems from incentives put in place decades ago. Orphan drug development was financially incentivized with the Orphan Drug Act of 1983, which offered manufacturers a 50 percent tax credit on R&D costs, grants for clinical trials in fiscal years 2008-2012 and waived user fees. In addition, orphan drug manufacturers have been able to benefit from seven years of marketing exclusivity and fast-tracked FDA approvals.

The result? The orphan drug market is growing faster than ever, which means payers are facing an influx of new treatments—and they know they’ll be managing even more in the coming years.

As manufacturers continue to bring more orphan drugs to market, payers have to make decisions on formulary and coverage for orphan drugs in order to remain financially viable themselves. It’s at this intersection that manufacturers must put their “payer hats” on to achieve product success. A closer look at key payer trends uncovers a need for demonstrating incomparable product value and enhancing commercialization strategies.

### U.S. ORPHAN DESIGNATIONS

<table>
<thead>
<tr>
<th>Development Cost</th>
<th>ORPHAN DRUG</th>
<th>$5.5 Billion</th>
<th>NON-ORPHAN DRUG</th>
<th>$21.8 Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Population</td>
<td>32,500 Patients</td>
<td>621,000 Patients</td>
<td></td>
<td></td>
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**ORPHAN DRUGS**

**GREW BY 3X FROM 2002-2011**

**YIELD 10.3 TIMES THE INVESTMENT OF NON-ORPHAN DRUGS**

**REPRESENTED MORE THAN 1/3 OF THE NATION’S DRUG OUTPUT IN 2012**

**RX SALES ARE EXPECTED TO INCREASE MORE THAN 10% BY 2018**
Trend #1: Accelerated market growth drives increased scrutiny

Due to the high costs associated with orphan drugs, these agents often fall short of cost-effectiveness standards from a payer perspective. Particularly in the European Union (EU), where Health Technology Assessment bodies apply evidence-based decision-making criteria to provide policy makers with recommendations on payment and reimbursement for medication, decision makers focus on a comparison of the orphan drug’s total cost versus relative clinical benefit. As a result, the value of the orphan drug may not be fully recognized. Specifically in the EU, the threshold for a product to be considered cost effective is usually considered to be approximately 34,000 euros\(^2\). And in the case of drugs like the enzyme replacement therapy Fabrazyme, used to target lysosomal storage disorders at the high cost of 200,000 euros per patient per year, cost effectiveness is challenging to prove.

In September 2012, the Dutch Healthcare Insurance Board decided that enzyme replacement therapies provided more therapeutic value compared to symptomatic treatment of Fabry disease; however, the board did not think enzyme therapy was a cost-effective treatment. Ultimately, the board issued advice not to reimburse orphan drugs that targeted this disorder\(^3\).

In this and hundreds of other examples, the financial burden on payers and increased management for orphan drugs means an increased burden of proof of economic and clinical value on manufacturers.

Trend #2: Complex criteria

What else are payers doing in light of the influx of orphan drugs? Even though payers are less likely to deny coverage given the limited treatment options, they are applying stricter, more defined criteria to formulary and reimbursement decisions. Orphan drugs are likely to be captured in the same net of tools, tactics and benefit designs that payers already use to manage access, ensure clinical appropriateness and help control costs. This trend will continue as payers are faced with a robust pipeline of new biologics, injectables or other specialty products coming to market over the next few years. These products will have indications for the treatment of diseases that are far less rare than most orphan conditions.

One example of this complex decision-making set is Multi-Criteria Decision Analysis (MCDA) — a set of approaches and methods to guide decision making by accounting for multiple criteria. MCDA criteria ensure that decisions are made based on a wider set of value criteria for a more comprehensive evaluation\(^4\). In Europe, this approach has already been used to evaluate orphan drugs, with eight criteria applied, including:

- Degree of rarity
- Level of research needed to receive marketing authorization as an orphan drug
- Level of uncertainty
- Manufacturing complexity
- Disease severity
- Available alternatives
- Level of impact on disease modification
- Whether the orphan drug has a unique indication or has several indications

One way payers are dealing with the rapidly growing orphan drug market is by applying more defined, complex decision-making models — MCDA in the EU, for example — to determine a drug’s cost effectiveness and value.
Trend #3: Management moves up

Another area where manufacturers can glean insights into payer trends is what payers themselves are projecting about their management of orphan drugs. An Xcenda survey of 61 health plan decision makers across the U.S. revealed a significant upward trend in the management of orphan therapies:

- More than 40 percent of plans surveyed said an orphan drug “hits their radar screen” at or below a price of $50,000.
- 20 percent take notice between $50,001 and $75,000.
- At these cost thresholds, payers will take actions that impact speed to therapy:
  - Nearly 97% will require prior authorization
  - 55% will move the drug to a specialty tier
  - Nearly 27% will require step edits
  - 25% will increase the patient’s cost share

The outlook on orphan drug coverage from a payer perspective is an important trend to consider. Health plans are likely to see an increase in the number of people on an orphan drug and associated orphan drug costs by 2015-2016. That means the percentage of total plan costs to orphan drugs is likely to increase exponentially compared to the percentage of total plan population on an orphan drug. And health plan decision-makers say the level of management of rare disease/orphan drugs is also likely to increase, with year-over-year survey results showing a clear movement from payer-ranked “low” management to “high” management in the orphan drug space.

Small population size and limited treatment options are the key rationale behind the plans that have/will have low management of rare diseases and orphan drugs, with 100 percent of health plan decision-makers surveyed saying small population size is the primary reason behind low management of orphan drugs.

U.S. ORPHAN DRUG PROJECTIONS FOR 2015-2016:

- **1.27%** PLAN POPULATION INCREASE FROM 2013 TO 2015-2016
- **PERCENTAGE OF PLAN COSTS IS EXPECTED TO INCREASE 2.87% OVER THE SAME TIME PERIOD**
- **A HIGHER USE OF TIER 5**

Source: Xcenda PayerPulse survey, 2014, n=61
While the clinical profile for an orphan drug remains critical, high prices drive the need for manufacturers to demonstrate value to payers. Payers are facing a market growing fast with expensive drugs for orphan diseases, forcing them to make evolving access decisions to remain financially viable. Figure 1 below shows how this and other factors rank.

Survey results show that clinical trial data receives the most focus when health plans make coverage decisions, meaning that a strong clinical story is a game-changer. Figure 1 below shows how this and other factors rank.

<table>
<thead>
<tr>
<th>Figure 1: Payer coverage considerations for orphan drugs</th>
<th>2015-2016</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinical trial(s) data</td>
<td>6.1</td>
<td>6.0</td>
</tr>
<tr>
<td>WAC price</td>
<td>5.6</td>
<td>5.4</td>
</tr>
<tr>
<td>Treatment guidelines</td>
<td>5.4</td>
<td>5.1</td>
</tr>
<tr>
<td>Contracting</td>
<td>4.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Compendia listing</td>
<td>4.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Clinical pathways</td>
<td>4.8</td>
<td>4.1</td>
</tr>
<tr>
<td>Specialty pharmacies</td>
<td>4.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Real-world adherence data</td>
<td>4.1</td>
<td>3.8</td>
</tr>
<tr>
<td>Physicians/KOLs</td>
<td>4.1</td>
<td>4.0</td>
</tr>
<tr>
<td>Burden of illness publications in peer-reviewed journals</td>
<td>4.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Other*</td>
<td></td>
<td></td>
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</tbody>
</table>

Scale of 1 to 7, where 1 = no influence at all and 7 = extremely high influence, rate each of the factors below for their current and future potential to influence coverage of orphan drugs.

Given this, manufacturers can no longer “fly under the radar” when it comes to proving product value. There are immediate actions manufacturers can take to drive product success, starting with a well-planned commercialization strategy.

Formulating a winning strategy means planning for the development of data-driven value propositions — i.e., delivering what payers are asking for. Manufacturers can start by mapping the patient journey from diagnosis through treatment. What diagnostic hurdles do patients face? Which physician specialties do they visit? Who manages treatment and ongoing care? What patient resources exist? And where at each of these touch points can the manufacturer interject value by introducing their new therapy?

Additional resources may be needed to help patients initiate treatment and remain on therapy at any stage of their treatment journey. Manufacturers should invest in best-in-class patient support services, including hubs that streamline access and provide education for both physicians and patients. Integrated patient support services, including PAP services and cost-share assistance, can address barriers to access, affordability and adherence.

Going into payer conversations, it’s important to note that they are focused on the larger patient population and therefore need clear and concise disease education and information to understand the disease and product.

What it all means for manufacturers

While the clinical profile for an orphan drug remains critical, high prices drive the need for manufacturers to demonstrate value to payers. Payers are facing a market growing fast with expensive drugs for orphan diseases, forcing them to make evolving access decisions to remain financially viable.
Educating physicians and payers — with strong product messaging and outcomes data — will not only increase the diagnosis and treatment of rare diseases, but will also enhance payer understanding of the therapeutic area and its unmet needs while highlighting the product value. Clinical trial(s) data, treatment guidelines, burden of illness publications in peer-reviewed journals and real-world adherence data should all be utilized as key components of commercial strategies for successful positioning. Clinical compendia provide medical policy and formulary decision-makers with information on the on-label and off-label uses of orphan drugs, offering a consolidated source of product information, including therapeutic uses and indications, as well as dosing and clinical evidence summaries with details on safety and efficacy. In addition, offering reimbursement support services to increase speed to therapy as a critical patient support program offering should be considered pre-launch.

Many of the orphan drugs on the market require a unique delivery method that makes them more expensive. Additionally, because of the rare nature of the diseases, the medications are likely not regularly stored near patients, requiring additional coordination with healthcare providers and suppliers to ensure the medication is where it needs to be when the patient needs it. Developing a specialty pharmacy strategy and building strategic partnerships with distributors, pharmacies and wholesalers will also be key to ensuring stakeholder alignment along the care continuum. The overall increase in spend on orphan products is leading plans to utilize management tools that will help in containing cost — e.g., plans are relying less on buy and bill or incentivizing specialty pharmacy use via mandates and/or reimbursement caps at specialty pharmacy rates. With specialty pharmacy mandates projected to increase by almost 20 percent by 2015-2016 and payers increasingly attracted to the data specialty pharmacies can provide, manufacturers who develop a specialty pharmacy strategy can ensure market availability for their products. This is especially important for orphan drug manufacturers with limited distribution models.

Finally, manufacturers should employ post-launch strategies for tracking outcomes and monitoring reimbursement in order to stay on top of changes in the orphan drug market and drive continued product access. Whether it is an adherence strategy and evolving the product message as real-world data emerges, or tapping patient advocates and advisory boards to monitor payer perception and provider education, product differentiation does not stop at launch.

Orphan Drugs: Five Ways to Prove Product Value

1. Map the patient journey
2. Educate payers and providers
3. Invest in support programs
4. Develop a specialty pharmacy strategy
5. Employ post-launch strategies
Amy L. Grogg, PharmD, is President of AmerisourceBergen Consulting Services, with offices in the United States, Canada, and Germany. By developing effective scientific and commercial strategies and delivering market leading commercialization support services, AmerisourceBergen Consulting Services helps biopharmaceutical, diagnostic and high-tech device manufacturers prove their product’s clinical and economic value, maximize patient access and optimize long-term adherence and outcomes.

Dr. Grogg has strategic and operational responsibility for the Consulting Services business portfolio, which includes Innomar Strategies, Lash Group, Premier Source and Xcenda. By leading collaboration across AmerisourceBergen, Amy and her team ensure manufacturer services are strategically designed and delivered, improving the performance of our clients’ brands at every stage of the life cycle.

The Consulting Services business employs more than 4,000 associates who offer a vast array of subject matter expertise combined with decades of experience across hundreds of therapeutic areas. The team has particularly strong credentials in the orphan and rare disease market.

At Xcenda, a firm with 20 years of experience in global health economics and outcomes research, value demonstration, payer communications and reimbursement strategy, the team has completed more than 700 strategic and tactical projects in rare disease with more than 75 clients across 87 unique brands.

At Lash Group, a patient support services company, the team has more than 15 years of experience in the complex rare disease market and has provided services for dozens of orphan products.

In Canada, Innomar Strategies has led the market for 15 years, utilizing a unique and integrated model to support both the launch and long-term commercialization of products that treat orphan and rare disease. With the ability to deliver end-to-end commercial solutions to improve product access, increase supply chain efficiency and enhance patient care, Innomar Strategies has supported more than 16 orphan products. The team has successfully utilized real-world data from patient programs to assist manufacturers in their quest to gain access with public and private Canadian payers.

Prior to joining AmerisourceBergen, Dr. Grogg spent more than a decade in the pharmaceutical industry, primarily at Johnson & Johnson, where she led teams that were responsible for all health economic, quality of life and patient-reported outcomes research studies for all of the company’s marketed products in the United States. She brings a comprehensive understanding of payers and a deep knowledge of how to develop and communicate product value propositions to ensure optimal market access.

Dr. Grogg received her Doctor of Pharmacy from Mercer University, Southern School of Pharmacy and completed a clinical practice residency at Hamot Medical Center in Erie, PA. She also completed a two-year fellowship in pharmacoeconomics at Sandoz Pharmaceuticals Corporation and the University of South Carolina.

References

6 Other influencers were ranked 4 and below and included unique MOA, manufacturer’s limited/open distribution, patient-reported outcomes (PROs), health economics and outcomes research, predictive modeling for non-adherence, quality of life (QoL) data, advocacy from national organizations, manufacturer-provided patient support and patient advocacy groups.
About AmerisourceBergen

AmerisourceBergen is driving innovative partnerships with global manufacturers, providers and pharmacies to improve product access and efficiency throughout the healthcare supply chain. As part of the largest global generics purchasing organization, the leading specialty pharmaceutical services provider and the partner with more community and health system pharmacy relationships than any other — we’re well positioned to help you capitalize on the dynamic changes in healthcare. From product commercialization and distribution to pharmacy, provider and manufacturer solutions, we’re working with you every day to enhance patient care.

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