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Biologic drugs are the driver behind increasing per-capita drug spending in the United States, and biosimilar competition offers a critical market-based strategy to curb overall drug costs. A unique opportunity exists in Medicare Part B to boost biosimilar utilization through the establishment of a shared savings demonstration model administered by the Centers for Medicare & Medicaid Services Innovation (CMS) Center. Such a program, squarely within the mission of the Innovation Center and straightforward to evaluate, has the potential to drive billions of dollars of new

healthcare savings. It would also foster greater competition and signal to future market participants the viability of the US biosimilars market.

Current Medicare Part B reimbursement establishes a uniform payment amount to physicians in excess of the average sales prices for both a biosimilar and its reference biologic. As a result, physicians are not incentivized to utilize lower-cost drugs. A shared savings program would align physician incentives with the objective of reducing overall Medicare program expenditures while preserving the quality of care.



PRINCIPLES FOR A BIOSIMILARS SHARED SAVINGS MODEL

Voluntary

Consistent with recent CMS practice, a shared savings model for biosimilars should be constructed to permit providers to opt in, as opposed to mandating participation. Voluntary participation is easy to implement and will not jeopardize any aspects of program evaluation as long as there is a reasonably sized control group to which participants in the demonstration can be compared.

Optimized for fiscal responsibility

As a responsible steward of taxpayer funds, the Innovation Center should parameterize models to minimize the risk of loss for taxpayers, ensure sufficient reward to providers who achieve program savings, and strive for large-scale net program savings. Given the significant potential for cost savings of a shared savings demonstration for biosimilars, proper program stewardship is all the more important, and can easily be ensured. With a low barrier to enter and the opportunity for additional reimbursement with only moderate changes, it is reasonable to expect high participation among providers.

Simple and broad-based

Sizeable fixed costs can impede participation by smaller providers and, because many rural providers are smaller, limit opportunity for participation outside of urban and suburban settings. In the case of a shared savings demonstration for biosimilars, existing infrastructure for billing of Part B drugs can easily accommodate the necessary changes to be able to monitor biosimilar utilization and award payments.

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Broad stakeholder appeal

Critical to promptly establishing an Innovation Center demonstration program is the involvement of a range of stakeholders, including biosimilar manufacturers, physicians who would be eligible for participation, and advocacy organizations representing patients who may be treated with biosimilar products subject to this program.

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