

March 13, 2019

Chairwoman Anna G. Eshoo
Health Subcommittee
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Ranking Member Michael Burgess, MD
Health Subcommittee
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Re: Written Testimony for the Hearing Record Submitted to the Health Subcommittee of the Committee on Energy & Commerce of the U.S. House of Representatives "Lowering the Cost of Prescription Drugs: Reducing Barriers to Market Competition."

Dear Chairwoman Eshoo and Ranking Member Burgess:

On behalf of Advocate Aurora Health (Advocate Aurora), I would like to commend you for holding a hearing on March 13, 2019 to discuss "Lowering the Cost of Prescription Drugs: Reducing Barriers to Market Competition." We maintain a strong commitment to innovation in health care delivery and stand ready to work with you and your colleagues to promote policy solutions and leverage innovation to reduce health care costs and improve affordability, access, and outcomes. Thank you for your leadership on this important topic and for the opportunity to submit this letter for the hearing record.

Background

Last year, Illinois-based Advocate Health Care (Advocate) and Wisconsin-based Aurora Health Care (Aurora) combined to become Advocate Aurora, the 10th largest not-for-profit integrated health care system in the country. Advocate Aurora is a national leader in clinical innovation, health outcomes, consumer experience, and value-based care. Together, each year, across more than 500 sites of care in Illinois and Wisconsin, we serve more than 2.7 million patients, including an estimated 500,000 Medicare beneficiaries and more than 450,000 individuals with Medicaid coverage.

Both legacy organizations have been transformative leaders and strong partners with the federal government, state governments, and commercial payors in the journey to value. With more than one million value-based lives, Advocate has one of the largest Accountable Care Organizations (ACOs) in the country and is a convener in the new Bundled Payment for Care Improvement-Advanced (BPCI-A) program. Aurora also was an early adopter of value-based programs, a successful Comprehensive Care for Joint Replacement (CJR) participant, a successful Medicare Shared Savings Program (MSSP) participant, and now manages a commercial ACO product in which we exchange clinical data, co-manage patient cases, and enhance patient health outcomes.

Value-Based Care for Drug Purchasing

Advocate Aurora is helping to lead the country in the transition to value-based care, transforming our health system from a volume-based approach towards one that rewards better outcomes at a lower cost. While significant strides have been made in developing and implementing value-based payment models for hospitals and physicians, little work has been done to create and test value-based drug

purchasing models or to include prescription drugs in the value equation. We respectfully request the Committee's consideration of proposals that would help to advance the design and implementation of such arrangements for drugs, such as:

- **Indications-based pricing.** This model would vary the payment for a drug based on its clinical effectiveness for the different indications for which it has been approved. Manufacturers would be paid more when treatments are used for indications for which they have higher value ("high-value indications") and less for indications for which they confer less benefit ("low-value indications"). This indication-specific pricing is designed to give patients more options.
- **Risk-sharing agreements based on outcomes.** This model would link the price of a drug with patient health outcome goals. Under an outcome-based agreement the final price of a drug would be tied to results achieved by specific patients. Manufacturers would agree to provide rebates, refunds, or price adjustments if the product does not meet targeted outcomes.¹

Advocate Aurora Joins Other Leading Systems to Combat High Drug Prices and Shortages

In January of 2019 Advocate Aurora became a founding member of Civica Rx, a not-for-profit generic drug company established by a large group of integrated health systems representing more than 750 hospitals intent on battling shortages of generic drugs and bringing down the cost of those medications by manufacturing their own.

For instance, we have experienced increases between 15% to 20% over the past two years for the unit prices of immunosuppressants, which are drugs used to treat rheumatoid arthritis and other auto-immune conditions. Our system also faces intermittent shortages of sodium-bicarbonate, the sterile form of baking soda which is used during advanced cardiac life support and as an antidote to some poisons. The shortage carries serious consequences including possible delayed heart surgeries and caring for other emergency events when a patient's blood is too acidic, which can be fatal without proper treatment. In addition, our system was severely impacted in 2017 by a shortage of sodium chloride which is used to rehydrate patients and to dilute medications from antibiotics to painkillers to cancer drugs. We were forced to find alternative supplies, change the way we administered these drugs and to devise backup plans to make the fluids internally.

Our membership in Civica Rx will help us to supply our patients with a more reliable source of generic drugs, at affordable prices. Initially, Civica Rx expects to support the supply chains of its members by bringing more than 14 hospital-administered generic drugs such as sterile injectables into development this year. Civica Rx is working towards the goal of becoming an FDA-approved manufacturer and will either directly manufacture generic drugs or sub-contract manufacturing to trusted supply partners. Following the initial tranche of 14 therapies, the organization has plans to prioritize the development of additional medications that are in great demand but have limited availability.

¹ For more background please see, Value-based pricing vs. outcomes-based contracting.
<https://drugpricinglab.org/our-work/value-based-pricing-vs-outcomes-based-contracting/>

Support the CREATES Act

Advocate Aurora thanks the Subcommittee for its consideration of numerous policy proposals aimed at increasing the availability and affordability of generic medications. In particular, we support H.R. 965, the Creating and Restoring Equal Access to Equivalent Samples Act of 2019 (CREATES Act), and respectfully request all members of the Committee to support and advance this important, bipartisan legislation through Committee.

The CREATES Act will help promote drug price competition by making it easier for medicines whose patents have expired to be sold as less expensive generic versions. Currently drug companies are permitted to engage in anticompetitive behavior to block and delay entry of generic drugs. The bill would create a speedier and stronger legal process for generic manufacturers to challenge branded drug manufacturers that are withholding drug samples to obstruct generic competition. In addition, we are pleased that lawmakers also are considering other measures to spur greater generic competition in the marketplace including the BLOCKING Act; the FAIR Generics Act; the Purple Book Continuity Act; the Orange Book Transparency Act; and the FAST Generics Act.

Conclusion

In conclusion, Advocate Aurora appreciates the opportunity to submit this letter for the hearing record and stands ready to partner with you and your colleagues to increase the availability of affordable prescription therapies, including a more robust generics market. Advocate Aurora stands ready to work with you and your Committee colleagues to advance policy proposals that will reduce prescription drug costs for patients and providers, strengthen the generic marketplace and available supply of much-needed therapies, and help reduce the pressure that the high cost of drugs has placed on our federal budget and economy. If we can be of any assistance on this or other health policy matters, please do not hesitate to contact me or Meghan Woltman, Advocate Aurora, Vice President, Government and Community Relations, (630/929-6614, Meghan.Woltman@AdvocateHealth.com). Thank you for your consideration.

Sincerely,



Tom Woller, RPh, MS, FASHP
System Vice President, Pharmacy Services
Advocate Aurora Health