

In the Medicare Program Part B Drug Payment Model, CMS proposed to use a value-based pricing strategy that would vary prices for a given drug based on its clinical effectiveness for different indications that are covered under Medicare (also known as indications-based pricing). The AAFP believes value-based or, in this case, indications-based pricing of drugs should take a balanced approach using factors such as research and development costs, clinical outcomes/efficacy, clinical comparability, side effects, safety, patient adherence, and ease of use for the patient. In addition, this approach should not create separate pay-for-value structures for each drug, but rather a practical, pay-for-value structure for most drugs. The AAFP offers this basic framework for value-based pricing of prescription drugs:

- A drug with proven, positive clinical outcomes has value.
- A drug without proven, positive clinical outcomes does not have value.
- A high-cost drug still has value if it improves a patient's health and reduces spending on other forms of health care.
- If a new, more expensive drug has the same clinical outcome as an older, less expensive drug, the new, more expensive drug has less value.

Also in the Medicare Program Part B Drug Payment Model, in regards to outcomes-based, risk-sharing agreements, CMS proposed that pharmaceutical manufacturers provide performance measures to determine the clinical value for a specific drug in outcomes-based, risk-sharing agreement. The AAFP believes this proposal should include details about the scope of CMS' authority; a clearly defined objective; and the mechanism for negotiating outcomes-based, risk-sharing agreements. CMS needs to specify several important considerations, such as what is being negotiated, (prices, formulary placement, or both), and what to do if the negotiating parties are unable to come to agreement. A pricing framework, similar to the one offered above, to guide arbitration in determining the price of drugs is also needed to capture the relevant factors that would be considered in determining the appropriate price for a drug.

In the Medicare Program Part B Drug Payment Model, CMS proposed to implement a clinical decision support (CDS) tool for physicians prescribing appropriate drugs. The tool would have two components consisting of an online interface that supports clinical decisions through education and a feedback mechanism based on drug utilization in Medicare. The AAFP applauds CMS for developing and implementing such a tool. Physicians need the drug performance data to make informed, value-based decisions on prescribing drugs, along with evaluating and managing therapies. The AAFP [policy](#) on "Patient-Centered Formularies" states, "Health plans and [pharmacy benefit managers] should provide drug utilization and cost information to physicians in clear and understandable reports that are useful for physicians in affecting positive change in their prescribing behavior." As value-based arrangements tie payment to physicians' performance, physicians' performance will then be bound to prescription drug performance. Therefore, family physicians and other primary care providers need clear, real-time, patient-specific information to make the best care decisions for their patients. Clinical and cost information on drugs should include:

- Clinical outcomes
- Drug interaction and allergy alerts, along with clinical support guidelines
- The patient's demographic information
- The patient's prescription drug benefit coverage
- The out-of-pocket costs the patient will incur at any given pharmacy for prescribed medications (along with alternative pharmacy options)
- Alternative drug therapies for a physician's consideration