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Aligning Oncology Drug Prices With Value: The Case for Innovative Pricing Models

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The rapid pace of investment and innovation in cancer treatment has led to the explosive development of numerous targeted therapies and immunotherapies that have largely improved outcomes for patients. Oncology still accounts for the largest therapeutic category, both commercially and in R&D. With innovations in cell and gene therapies, antibody-drug conjugates, and other exciting modalities, oncology therapies are expected to become more personalized with higher efficacy and more manageable toxicity. However, the benefits of many *existing* therapies that are often approved by the FDA on a conditional basis are limited to a subset of patients with low response rates and short-lived responses. Despite this, prices for new oncology drugs have soared, placing a significant burden on patients, employers, payers, and healthcare systems.

There is no question that therapeutic innovation is important and necessary in curtailing cancers, perhaps even curing them in the future. However, to ensure that patients have continued access to the most effective therapies while balancing the financial sustainability of the healthcare system, it is essential to explore innovative pricing models that better **align the cost of oncology drugs with the value they deliver**. Manufacturers, employers, payers, providers, and patients must explore new incentive systems that prioritize innovations that have maximal benefit and equitable access for the right patients with the right therapies at the right stage of disease.

One promising approach picking up momentum in the market is outcomes-based pricing, where payment is tied to the real-world effectiveness of a therapy. Under this model, manufacturers and payers would agree on an initial price, with the potential for additional payments if the drug exceeds predetermined outcome benchmarks, or refunds if it underperforms. Real-world evidence, collected through patient registries, electronic health records, and other sources, would be used to assess such key outcomes as overall survival, progression-free survival, and quality of life. This approach incentivizes manufacturers to focus on developing therapies that provide meaningful benefits to patients and helps ensure that healthcare resources are allocated to the most effective treatments.

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The outcomes-based pricing approach is just one of several innovative pricing frameworks that could help align oncology drug prices with value. Other pricing models include:

Indication-specific pricing, where a drug's price varies based on its effectiveness in different types of cancer, recognizes that a single price may not be appropriate when a therapy's benefit varies across multiple indications.

Combination therapy pricing, which assesses the value of multiple drugs used together, acknowledges the reality that many patients receive several therapies simultaneously, and the price should reflect the incremental benefit of each additional drug.

Subscription-based pricing models, where payers pay a flat fee for access to a therapy over a set period, could provide predictability for payers and encourage manufacturers to develop the most effective treatments. Patient-centered pricing, which considers factors such as quality of life and patient preferences, recognizes that patients value outcomes beyond just survival, and therapies that meaningfully improve the patient experience should be rewarded accordingly.

Dynamic pricing models, where prices are adjusted in real-time based on emerging real-world evidence, would create a more responsive system that rapidly incorporates new information about a therapy's effectiveness and safety.

Innovative Pricing

The need for innovative pricing models becomes even more apparent when examining the real-world performance and costs of some of the most world's most expensive cancer therapies. For example, a CAR-T cell therapy such as KYMRIAH® (tisagenlecleucel) has a list price of approximately $580,000 per treatment. While these therapies have shown remarkable efficacy in some patients with certain blood cancers, their overall response rates in other indications remain limited. In acute lymphoblastic leukemia, for example, the overall response rate for KYMRIAH was 50%, with only 32% of patients achieving a complete response. Another example is the immunotherapy drug OPDIVO® (nivolumab), which has a list price of around $160,000 per year.

In non-small cell lung cancer, OPDIVO demonstrated an overall response rate of 19%, with a median duration of response of 17.2 months. While these results represent a significant advance in treatment options, they also highlight that most patients do not experience a durable response to the therapy, despite its high cost.

The need to align oncology drug prices with value is further underscored by the challenges of determining the optimal dosage that balances efficacy and safety. Traditional cancer drug development has often focused on identifying the maximum tolerated dose in clinical trials, with the assumption that higher doses will lead to greater efficacy. However, this approach can result in patients receiving doses that cause excessive toxicity and side effects, limiting the therapy's real-world value and tolerability.

The recent example of sotorasib, a targeted therapy for lung cancer, illustrates this issue. The FDA approved sotorasib at a dose of 960 mg per day, despite evidence from early trials suggesting that lower doses could be equally effective with fewer side effects. Subsequent studies have shown that patients on the 960 mg dose experienced more severe side effects compared to those on a 240 mg dose, with only a modest improvement in survival. This highlights the need to prioritize robust dose optimization studies earlier in the drug

development process to identify the dosage that provides the best balance of efficacy and safety.

These examples underscore the importance of aligning drug prices with the value they provide to patients and the healthcare system. If a therapy only benefits a limited proportion of patients, or if the duration of response is short-lived, or if the therapy induces severe toxicity, it may not justify its high price tag. Innovative pricing models, such as outcomes-based pricing or indication-specific pricing, could help ensure that the prices of these therapies better reflect their real-world performance and value.

Implementing innovative pricing models will undoubtedly be disruptive and complex, requiring collaboration among manufacturers, payers, providers, and regulators to develop the necessary data infrastructure, agree on appropriate outcome measures, and establish equitable contractual frameworks. However, several real-world examples, such as outcomes-based contracts for CAR-T therapies and indication-specific pricing for certain cancer drugs in Europe, demonstrate that these approaches are feasible.

Outcomes and Evidence Platform

From an operational perspective, platforms like **COEBRA™, the COEUS Outcomes and Evidence Platform**, can play a crucial role in operationalizing these innovative pricing models. COEBRA™ is a healthcare data aggregation platform with a powerful and configurable rules engine that can accurately measure and adjudicate real-world evidence. By aggregating data from various sources, including medical and pharmacy claims, specialty pharmacy/distributors, electronic medical records, and more, and evaluating this data against defined rules and contract terms in real-time, COEBRA™ enables the automatic adjudication of value-based contracts and warranty program rules. This capability facilitates the implementation of outcomes-based pricing and other innovative models, making it easier for payers and manufacturers to align prices with value. Today, COEBRA™ is actively managing and operationalizing value-based contracts in the market. We believe that we will see a greater shift toward oncology assets with both manufacturers and payers moving toward new pricing models that tie pricing to overall value and the specific outcomes achieved in the real-world setting.

To truly align oncology drug prices with value and ensure patient access to the most effective therapies, a combination of innovative pricing models may be necessary. Outcomes-based pricing could be used to tie payment to real-world effectiveness, while indication-specific pricing could account for differences in benefit across cancer types. Subscription-based models could provide predictability for payers, while patient-centered pricing could reward therapies that meaningfully improve quality of life. Dynamic pricing could ensure that prices continuously reflect the most up-to-date evidence.

Policy makers, payers, manufacturers, providers, and patient advocates must work together to design and implement these innovative pricing models, leveraging platforms like COEBRA™ to facilitate their operationalization. By doing so, we can create a more sustainable, equitable, and patient-centered system for oncology drug pricing that rewards true innovation and ensures access to the most effective therapies. Only by aligning prices with value can we harness the full potential of advances in cancer treatment while preserving the long-term viability of our healthcare system.