What now?

HHS has announced its new price transparency rules for direct-to-consumer TV ads. Now the industry has to sort out what to do about them.

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This past May 8, Health and Human Services Secretary Alex Azar announced a final rule from the Centers for Medicare and Medicaid Services that will require direct-to-consumer television advertisements for prescription pharmaceuticals covered by Medicare or Medicaid to include the list price – the Wholesale Acquisition Cost – if that price is equal to or greater than $35 for a month's supply or the usual course of therapy.

Not a surprise. HHS had proposed the rule back in October, and at least one industry player – **J&J** with its brand **Xarelto** – had already pre-empted the final rule by putting list prices in the company's TV ads in February. But the rule leaves plenty of room for debate and interpretation, and its potential impact remains very much unclear. So brand managers must ask themselves, what now?

"The new HHS rule is a positive step toward transparency," says Steve Trokenheim, partner at Beghou Consulting. "It's beneficial for patients to be able to see drug list prices. A well-defined, standardized price point such as wholesale acquisition cost [WAC] limits the potential for consumer confusion. Additionally, by requiring pharmaceutical manufacturers to list a drug's cost based on its typical course of treatment (e.g., a 30-day prescription, or the time period most often prescribed), patients will be able to more easily compare different drugs."

In response to this rule, Trokenheim suggests that pharmaceutical manufacturers will need to rethink how they approach pricing. "Currently, there's a persistent upward pressure on list prices," he says. "After all, if a manufacturer believes its product delivers better results than a competitor's product, why shouldn't it seek a higher list price? The transparency that will result from this HHS rule will force manufacturers to operate within the confines of a competitive marketplace. As a result, it could reorient price pressures downward. If consumers know a drug's price and those of similar products, pharmaceutical companies will likely need to lower prices to remain competitive."

Also, the new HHS rule allows pharmaceutical companies to compare their own drug prices to those of competitors – as long as they do not mislead consumers. "This rule may be open to some interpretation, though," Trokenheim says. "Hopefully, consumers won't see two companies both claiming their drugs are cheaper than the competition's!"

But even if the new rules are a positive step towards transparency, the fear of confusion in the mind of the consumer is very real, which means marketers have to think through ways to reduce or remove that confusion. "Because what people ultimately pay varies greatly state by state and by insurance status and a number of other factors, including list price in TV ads will likely cause a lot of confusion for consumers," says Martha Peterson, senior VP, media, CMI/Compas. "In study after study we've seen that while pharma websites aren't the first go-to for consumers for health information, they maintain a consistently high place in terms of trust. So as more consumers seek information from trustworthy sources, it will be important for pharma to have that ready everywhere consumers may search – and that includes pharma websites, publisher sites like Mayo Clinic and WebMD, social sites and search engines. Pricing is an adherence issue, and if pharma companies can bring that conversation out of CRM and into general advertising and media, we can start providing better solutions and ultimately solve that issue for them."

Of course, a move towards price transparency is not new in healthcare, though it may be new for prescription drugs. "We've seen this story before with hospital prices, with doctor's charges, where price transparency in reality is not what most consumers pay, at least the price that's being shown, and so it can become a confusing number for consumers," says Benjamin Isgur, head of PwC's Health Research Institute. "So my reaction is mixed. Is it good that we're moving towards more of price transparency? Yes, it absolutely is. Do we have a lot more to do so it actually becomes useful for consumers? Absolutely."

What more to do? Isgur is hoping for a solution that goes beyond mere numbers in a TV or print ad, what he calls "static transparency. He is advocating for an industry-wide online tool that would allow patients to input their insurance and other relevant information and get actual pricing for their actual circumstances.

"We can't be satisfied with a static level of transparency; we need a dynamic level of transparency," Isgur told *Med Ad News*.

And no matter how the pricing information is communicated at first, brand managers will also have to do the same thing they do for all their ads: measure impact.

"I would look at this as a first step," Isgur says. "People are going to have to be patient. Over the next year or two, we're going to probably hear some backlash, 'Oh, that wasn't that useful,' from some people. We'll also hear some, 'Wow, that's really surprising. I had no idea what the retail price of that drug was, even though I'm not paying for that, it still is a number that's stuck in my head,' right? So there's going to be some kind of education that's going to be going on. We will need a little bit of time to see what changes patient behavior and what doesn't."

But however the first generation of price transparency turns out, Isgur insists that future communications with patients has to go beyond the numbers to the value behind the products. "Consumers understand the concept of value," he says. "They understand that sometimes expensive things are worth it. When you're a brand manager, you have to focus on value. You have to be able to show outcomes, show how your product changes lives. Then, costs will be put into context. Is this drug helping you live a better life? Are you still able work because you're taking this drug? Is it stopping you from having a transplant or a bigger intervention that would cost more money and mean more time away from your life? Those are the types of things consumers want to hear and understand when they're making choices. When you show high value, consumers are willing to pay for that value, and so are employers and other types of payers."

The health economist Jane Sarasohn-Kahn has similar faith in consumers, but is also similarly dubious about the impact of the current HHS rules. "The patient has been morphing into a health consumer for the past decade, given the advent of 'consumer-directed health plans,'" she says. "Now that high-deductibles are mainstream health plan designs, that health consumer is now a major payor. As a payor, that person has retail-style expectations from the health care industry as s/he expects from other daily consumer touchpoints. These include service levels, transparency, and tools to help streamline daily living based on a person's preferences and values."

According to Sarasohn-Kahn, HHS' price disclosure plans don't speak to personalized health or healthcare costs, given the fact that a retail list price for a prescription drug is not what the health consumer actually pays. "And that varies by the N of 1 patient-as-plan-member, whether they can access a coupon, have a co-insurance share, and other granular aspects of the individual's plan. A key takeaway for the Rx brand marketer is to deeply understand the patients who are prescribed their product – patient personae in terms of payment, personal values, and elasticities of demand for the product vis-à-vis competitors and other products and services that could complement or substitute for the marketer's product."

So what to do? Just as Isgur suggests, add and communicate value.

"This is the opportunity to go 'beyond the pill' in that we're now in an era where the patient's values and sense of "value" (price versus utility) converge," Sarasohn-Kahn told *Med Ad News*. "The mass market/retail pricing will no doubt confuse the patient, and potentially position the drug as a luxury good beyond one's reach (I.e., household budget). That would further alienate health consumers' vis-à-vis 'Big Pharma' unless marketers and the industry add value that helps people navigate their condition and the healthcare system."

Coming from the agency angle, Fabio Gratton, currently of Sonic Health and formerly of Ignite Health, is wondering why HHS' rules apply only to television.

"If this is really about transparency and protection, it should be universal," Gratton told *Med Ad News*. "It should apply to every single company that has a product, whether they're marketing online, or marketing in newspapers, or marketing in other channels. Why is this limited to television? The argument, of course, is that, 'Well, hey, two-thirds of all spending in direct-to-consumer advertising is on television.' But the reality is that most people are getting their information online."

Still, Gratton believes J&J set a good example when the company pre-empted the rules with its price information about Xarelto.

"J&J made a choice," he says. "They did research, which is admirable, and then they did a really good job of just trying to say, "Look, let's create this framework of what three-fourths of all patients will spend in this range, given dosing, site of care, copay, deductible, support program. There are all of these variables and insurance coverages that make it so different for everybody, so they tried to come up with an equation to show, 'This is probably where you'll be.'"

One of Gratton's concerns, though, is that, given the number of companies and a lack of standardization, patients may end up having to compare apples with battleships.

"What happens when every company is left to their own devices on how they frame up drug pricing?" he says. "Now every company is like, 'You know what? I think that most patients will pay this because I'm only looking at 66 percent, not 75 percent,' or, 'I want to show that the average patient has Medicare, Medicaid, blah, blah, blah, so I'm going to use all of those factors to -.' You're picking one channel, television, and on top of that you're not standardizing the way it's supposed to be communicated ... it's going to confuse the consumer because now you've got companies with drug prices, companies without drug prices, you've got drug prices being communicated in completely different ways."

Why the focus on television? Gratton has a sneaking suspicion.

"Many of us in the agency world believe that the real goal is to push companies away from television advertising, so less people will demand certain brands and hopefully costs will go down. I think the hypothesis is that it becomes a deterrent to do TV DTC and suddenly money will be saved."

But, of course, pharmaceutical companies have plenty of other ways to get their messages out.

"I have a feeling that marketers are going to re-channel their dollars, find different ways to engage consumers, still try without having to disclose anything and then ultimately end up in the same place where we are now," Gratton told *Med Ad News*. "All this rule is going to do is cause pharmaceutical companies to find a different way to engage patients."

That's not to say that transparency isn't worth pursuing; it just has to be done uniformly and in an accessible way. And Gratton's solution is similar to Isgur's. "I would create a drug pricing calculator, a universal one where you could say, 'This is the drug, this is my plan,' and then it would spit out, based on your drug, your plan, your age, your condition, this is what you might expect," Gratton says. "And at the end of every commercial it could say, go to universaldrugpricingsite.com to find out how much this drug will cost for you." medadnews

Top brands by 2018 DTC spend

Brand	Company	Spend (thousands)
Humira	AbbVie	$486,847
Lyrica	Pfizer	$272,246
Xeljanz	Pfizer	$257,133
Chantix	Pfizer	$212,262
Trulicity	Lilly	$206,724
Excludes social media spend		

Source: Kantar Media

Top companies by 2018 DTC spend

Company	Spend (thousands)
Pfizer	$1,195,476
AbbVie	$621,360
Lilly	$467,210
Allergan	$333,264
Novartis	$308,013
Excludes social media spend	

Source: Kantar Media

DTC TV spend by prescription category (2018 data is for 1/1 thru 10/13, or about 78.4 percent of the full year)

Category	2016 (in millions)	2017 (in millions)	2018 (in millions)
Diabetes and blood disorders	$787.8	$874	$689.9
Osteoporosis and arthritis	$398.9	$440.9	$422.1
Stroke, cholesterol, and heart disease	$382.3	$413.6	$392.5
Psoriasis, skin, and nails	$295.4	$418.6	$434.6
Bladder and gastrointestinal	$305	$406.9	$252.3
Cancer	$116.6	$308.3	$281.6
Asthma and COPD	$213.8	$245.6	$176.8
Depression, bipolar, and insomnia	$219.2	$175.5	$230
Men's and women's health	$243.5	$120.9	$72.2

Source: iSpot.tv