American College of Rheumatology
Empowering Rheumatology Professionals

"Underwater Biosimilars": Physicians and Patients Sinking to the Bottom

Biologics are vitally important therapeutic options for patients with rheumatic diseases. Infliximab and rituximab products have increasing numbers of biosimilar versions. In addition to reducing pain and dysfunction related to inflammatory diseases, these medications reduce costly disease-related complications, including cardiovascular diseases, metabolic syndromes, and expensive procedures and surgeries. Biologics also reduce costs by preventing missed work, improving work performance, and avoiding long-term disability.

The average sales price (ASP; which serves as the basis for CMS and private payer reimbursement) of most biosimilars has fallen faster than the actual acquisition cost. Thus, infusing these drugs puts independent clinics at risk for financial loss, threatening patient access to vital treatments. A major contributing factor for certain biosimilars being "underwater" is the fact that rebates, which are offered to pharmacy benefit managers (PBMs) in exchange for favorable placement in formularies, are factored into the drug's ASP, but do not lower providers' actual acquisition costs. Due to the resulting financial pressures, practices must choose to either infuse the patient at a loss, transfer their infusion site to a hospital, or switch the patient's therapy. This scenario delays care and risks compromising patient safety.

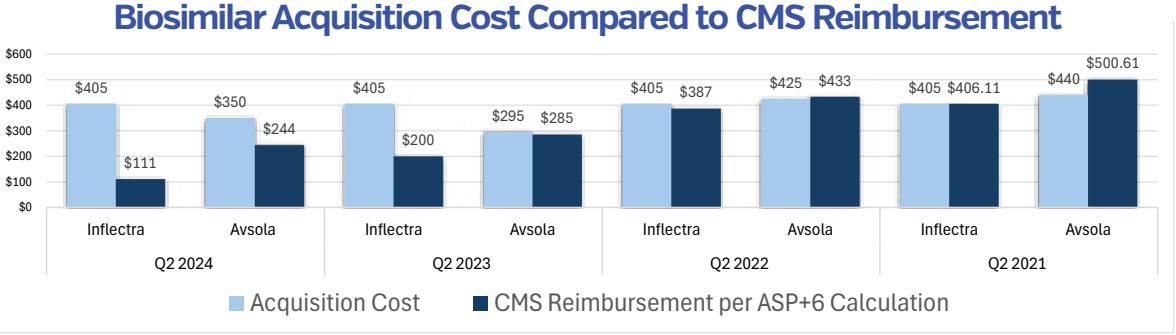
Keeping Biosimilars Afloat: Why It Matters

- ✔ **Cost-Effectiveness:** Since hospital infusion centers are reimbursed for drugs at higher rates than private clinics, keeping any version of an infusible biologic in an independent rheumatology clinic saves vastly more money than what a payer would spend on their "preferred" version infused at a hospital. If economic pressures push infusible biologic drugs to hospital sites of service, any cost savings anticipated through uptake of biosimilars will be lost.[1,2]
- ✔ **Rheumatologists and Patients Suffer:** Underwater biosimilars disproportionately impact independent rheumatologists, who provide safe, cost-effective care and are the most vulnerable to adverse economic pressures. If rheumatologists are not reimbursed fairly for biosimilars, patient access to vital rheumatology care will suffer and some independent clinics will either close or sell to hospitals or private equity, thus further limiting patients' options for high-quality rheumatologic care.

Solutions

- ✔ **Commercial payers must limit biosimilar version mandates** to hospital infusion sites, not independent clinics.
- ✔ **CMS and commercial payers must adjust the ASP formula and/or the add-on calculation.** This adjustment could include a 6% add-on to the actual acquisition cost and/or removal of manufacturer rebates to PBMs from the ASP equation. See chart below for 2021–2024 biosimilar acquisition cost vs. CMS reimbursement.

Biosimilar Acquisition Cost Compared to CMS Reimbursement



Contact **practice@rheumatology.org** with feedback on the impact of the recent rate adjustments or to share information about other payers with underwater rates.

1 https://www.ahip.org/documents/202202-AHIP_1P_Hospital_Price_Hikes.pdf
2 https://publichealth.berkeley.edu/news-media/research-highlights/study-shows-that-hospitals-impose-major-price-markups