Biosimilar drugs could generate $38.4 billion in savings over five years

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Biosimilar drugs could drive down prices for expensive medicines used to treat illnesses such as cancer and rheumatoid arthritis, with savings estimated to be $38.4 billion or 5.9% of projected total U.S. spending on biologics from 2021 to 2025, according to a new RAND Corporation study.

More aggressive biosimilar uptake and competition could trigger larger cuts, with savings estimated to be as large as $124.5 billion from 2021 to 2025 under the most-optimistic scenario.

The study estimates that most of the expected savings from biosimilars would be caused by downward pressure on the brand-name biologics they compete with, rather than lower biosimilar prices. The findings are published by the *American Journal of Managed Care*.

"Biosimilars have the potential to lower spending on biologic drugs that account for a rapidly increasing share of overall U.S. prescription drug spending," said Andrew W. Mulcahy, lead author of the study and a senior policy researcher at RAND, a nonprofit research organization.

Biologics are complex drugs manufactured in living systems and include insulin, monoclonal antibodies to block inflammation in rheumatoid arthritis, and a range of drugs to treat cancer, multiple sclerosis and other serious diseases.

While biologics accounted for 2% of U.S. prescriptions by volume in 2017, they accounted for 37% of net spending on prescription drugs.

Biosimilars are comparable to already approved "reference" biologics in terms of potency, safety, and efficacy, but manufactured by different companies. Biosimilars can be approved for marketing by the federal Food and Drug Administration after the manufacturer of the reference biologic enjoys several years of patent and exclusivity protection.

In the new study, researchers projected spending from 2021 to 2025 on 60 biologics under three scenarios after analyzing U.S. volume and price data for biologics already facing competition from biosimilars from 2014 to 2020. The modeling included both biologics that already face biosimilar competition and those that may experience biosimilar

competition in the future.

For already-marketed biosimilars, savings were calculated relative to market shares and prices in the 4th quarter of 2020. About two-thirds of savings from biosimilars were from biosimilars expected to be launched from 2021 to 2025.

Biosimilars to Humira (adalimumab) were by far the largest contributor at $19.5 billion. The remaining one-third of savings were from greater use and lower prices for already-marketed biosimilars.

The estimated savings in the study are smaller than two other recent assessments, including a prior RAND estimate. However, the new analysis uses more recent data to make estimates, more comprehensively breaks down savings by source and biologic, and is clearer on the baseline case used to tally savings.

"There are many uncertainties in how biosimilars in the United States will evolve over time," Mulcahy said. "Future research should focus on the likely impacts of specific policy proposals and assessing how the number of competitors, market size and other factors drive the magnitude of savings."

Researchers say that achieving greater use of biosimilars across the entire U.S. health care system may require coordinated new policies and managed care strategies. There are several policy changes that could increase biosimilar uptake.

These include paying the same rates for reference biologics and their biosimilars, keeping separate rates but paying a higher margin for biosimilars, or decreasing patient cost sharing for biosimilars. Several of these proposals are under consideration by Congress and other federal policymakers.

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Other authors of the study are Christine Buttorff of RAND and Kenneth Finegold, Zeid El-Kilani, Jon F. Oliver, Stephen Murphy and Amber Jessup, all currently or formerly of the Office of the Assistant Secretary for Planning and Evaluation in the U.S. Department of Health and Human Services.

More information: The study is available at www.ajmc.com/view/projected-us … iosimilars-2021-2025

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