

THE WALL STREET JOURNAL

TUESDAY SEPTEMBER 18, 2007

Burden of Proof

As Costs Rose, New Medicines Face Pushback

Insurers Limit Coverage To FDA-Approved Uses; \$300,000 Drug Denied

By GEETA ANAND

May Chin-Louis, 44 years old, has a ballooning brain tumor. Her doctors wanted to attack it with a colon cancer drug that has shown promise in treating brain tumors.

But for four months, Ms. Chin-Louis's insurer, Well-Point Inc., refused to pay for the drug, called Avastin. It costs about \$8,000 a dose, every other week. A WellPoint spokesman says it denied coverage initially because there isn't sufficient medical evidence proving Avastin is effective against brain tumors.

"She's a young patient with a family who has run out of options—she's just looking for a chance," says her oncologist, Susan Chang. Patients with Ms. Chin-Louis's condition typically live for only about four months.

Doctors, particularly oncologists, rely on medicines approved for other diseases to try to save patients for whom all other treatments have failed. But as new medicines come to market at ever-higher prices, insurers are pushing back, limiting coverage of these drugs to only the disease for which they are specifically approved by the Food and Drug Administration—or for which there is extensive evidence of efficacy in clinical trials.

"A lot of patients are being denied potentially effective therapies,"

Narrowing Specialties

- **The Issue:** High-priced 'specialty' drugs are seeing a pushback from insurers.
- **The Background:** Doctors often try drugs approved for different diseases for patients without other options.
- **Bottom Line:** Some patients are denied potentially effective therapies.

says James Vredenburgh, an oncologist at Duke University Medical Center. "What's happening is totally arbitrary and it's 100% correlated to when the prices went up. Ten years ago, we never got

questioned on our medical decision to prescribe the medicine with the best chance of helping our patients."

Insurers say they must limit use of the most expensive drugs to control health-care costs, which are surging at a 7% to 8% annual rate and continue to outpace inflation. It makes sense, they say, to require proof that a drug works in a patient's particular disease before doling out tens or hundreds of thousands of dollars.

"We're trying to bring new drugs to consumers, but trying to do it with employers getting the best value of every health-care dollar spent in the system," says Mohit Ghose, spokesman for America's Health Insurance Plans, an industry trade group.

High-priced medicines used to treat relatively small groups of patients—categorized as "specialty pharmaceuticals"—comprise the fastest-growing part of health spending, insurance officials say.

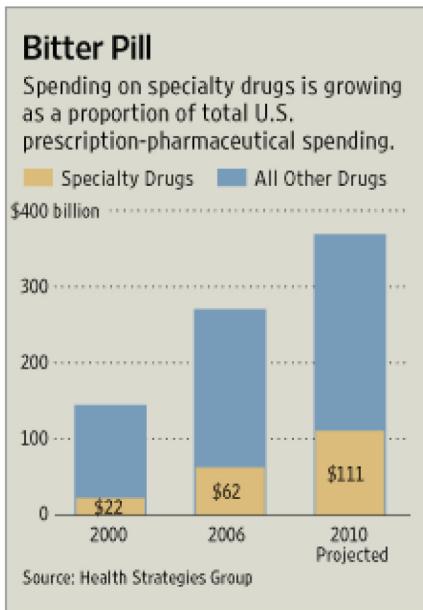
By pushing generics, insurers have clamped down on spending on other types of medicines, which rose 6% in 2006, according to Express Scripts, Inc., one of the largest pharmacy-benefit managers.

By contrast, spending on specialty drugs soared 21% last year. They accounted for nearly a quarter of total drug spending in the U.S., according to Health Strategies Group, a New Jersey consulting firm.

Insurers have little leverage in negotiating the prices of many specialty drugs because they often extend lives and lack competition. Drug companies have the freedom to price these medicines almost as high as they like. The companies say the prices are needed to fund research of new medicines and to compensate shareholders.

Genentech Inc. charges \$4,400 a month, or \$47,000 for the average treatment course of Avastin for colon cancer patients. Higher doses are used in treating brain tumors, raising the cost.

Once a unique, life-saving drug is approved by the FDA for a disease, insurers almost always are required



to pay for it, regardless of price. But insurers have leeway when a medicine isn't specifically approved for a particular patient's disease. Coverage varies among companies.

"As an insurer, you go where the money is to try to cut costs," says Abbie Leibowitz, former chief medical officer of

Aetna, Inc., who runs Health Advocate, which advises employers and employees on health insurance. Spending on specialty drugs is "where there is the greatest opportunity to affect cost."

Wall Street is seeing the effects of the pushback in lower-than-expected revenue from some of the hot-test new cancer drugs. Genentech's Avastin is FDA-approved for certain kinds of colorectal and lung cancers.

But the drug should also be a big-seller in breast cancer based on a large study reported two years ago showing efficacy in that disease, says Steven Harr, a Morgan Stanley analyst. His research shows less than 10% of breast-cancer patients are using the treatment, for which Genentech charges \$7,700 per month for the average patient.

With prices so high, insurers "won't pay until it's FDA-approved," Dr. Harr says. "For the first time ever, there's elasticity in demand."

Karen Kacures, who owns a lawn-care company in St. Francis, Minn., found that out the hard way. Ms. Kacures was diagnosed in January with Pompe disease, a rare genetic disorder. It is caused by a deficiency in an enzyme that leads to progressive muscle-weakening and an early death.

Along with the devastating diagnosis, her doctors brought some hope: Genzyme Corp., a Cambridge, Mass., biotech company, recently brought to market the first treatment for the disease. The drug, called Myozyme, replaces the enzyme deficiency that causes muscle degeneration.

Dosed by weight, the drug is priced at an average of \$300,000 a year, for a patient's entire life.

In March, Ms. Kacures's insurer, PreferredOne Community Health Plan, a Golden Valley, Minn., nonprofit with 400,000 members, refused to pay for the drug.

"We consider that for adults, the evidence is not there to support its use," says John Frederick, chief medical officer of PreferredOne. He noted that Genzyme conducted its clinical trial to win approval of the drug only in infants. In approving the drug, the FDA required Genzyme to conduct another trial, which is under way, to prove safety and efficacy in adults.

Dr. Frederick acknowledges that the FDA didn't restrict approval of the drug to infants, but he says it was "a little fuzzy."

Drugs that are high priced and treat smaller populations have "just kind of taken over" the pharmacy budget, Dr. Frederick says. In the most recent fiscal year, his company's spending on specialty drugs rose 23% over the previous year; spending on other pharmaceuticals was almost flat, he says. Generics are helping "stem the tide" of spending, he says, but specialty medicines are "a concern to us from a cost perspective."

Calling Ms. Kacures's case "wrenching," Dr. Frederick says he wishes there were "a big systemic cure. I dream of a big super-insurance plan to cover these tragic cases."

Ms. Kacures, 47, who has appealed the denial, says she doesn't have time to wait until Genzyme finishes its study in adults. "I want to get treated while I can still walk and breathe on my own during the day," she says. She uses a cane to walk and a breathing machine at night.

Some adults do receive the drug. Mark Lingenfelter, 45, of Eau Claire, Wis., started taking Myozyme in November, after Medicaid, the government's health insurance program for the disabled and poor, agreed on appeal to cover the cost of the drug.

For the first time in three years, Mr. Lingenfelter says, he's been able to stand up out of his wheelchair.

His breathing has improved enough to be able to talk on the phone for a few minutes, sometimes to offer encouragement to Ms. Kacures. "It's made a complete difference in my life," he says.

Gideon Sofer, a freshman at the University of California, Berkeley, was turned down last year

when he tried to get approval from his mother's New Jersey insurance plan to pay for a new medicine. The drug, Revlimid, was approved by the FDA to treat a rare blood disorder and not yet tested in Mr. Sofer's condition, Crohn's disease, an inflammatory disorder that causes severe digestive problems.

Mr. Sofer had been using thalidomide, the only medicine that had helped control the mouth and intestinal sores caused by his disease. But thalidomide caused such drowsiness that he says he couldn't take morning classes, and he experienced nerve damage causing him to lose sensation in his feet.

Revlimid, made by Celgene Corp., is billed as an improved thalidomide, minus the drowsiness and nerve damage.

At first, Horizon Blue Cross Blue Shield of New Jersey covered it for him. "I felt so much less fatigue, my anemia improved, it was just great," Mr. Sofer says. His doctor in New York, Maria Abreu, director of the inflammatory bowel disease center at Mount Sinai School of Medicine in New York City, says Mr. Sofer's weekly blood reports showed gains in his iron levels.

But in August 2006, Mr. Sofer received a letter saying "it was determined that you do not meet the Horizon Blue Cross Blue Shield of New Jersey established medical necessity criteria for this drug." It noted Revlimid was approved for patients with a blood disorder and not Mr. Sofer's disease.

"Although benefits are denied, you may elect to receive the medication at your own expense," the letter said. Neither Mr. Sofer nor his mother, a social worker, could afford the drug, which retails at about \$8,800 for a month's supply. Mr. Sofer called Celgene and asked if the company would donate the drug. He was connected to a Celgene program, called Patient Support Solutions, which provides free Revlimid to patients who meet certain guidelines.

In a letter, Mr. Sofer was told he didn't qualify for free drugs; he says an employee told him that Crohn's disease patients weren't eligible.

Last year, not long after his prescription ran out, Mr. Sofer was hospitalized, severely dehydrated. He withdrew for the semester, feeling too sick to continue. "This has depleted me physically and spiritually," he said at the time.

Celgene's Patient Support Solutions says that this year, the free-drug program was expanded to include patients regardless of diagnosis, as long as they meet certain financial criteria, which the company declines to publicly detail.

In April, Mr. Sofer began receiving free Revlimid. His iron levels rebounded, though he continues to struggle with infections related to his disease. "For people like me, for whom nothing has worked, access to new treatments is absolutely critical," says the 23-year-old Mr. Sofer. "It's the only thing that keeps me hopeful, that keeps me living."

Ms. Chin-Louis was diagnosed with a brain tumor in late 2001. She had been working as an administrator at an accounting firm and raising two boys in Danville, Calif., when her speech periodically became jumbled. A surgeon removed the tumor, which initially grew slowly.

Last year, the tumor returned. She underwent radiation and took a chemotherapy drug approved by the FDA to treat brain cancer.

Early this year, a magnetic resonance imaging, or MRI, showed a bigger spot on her brain, suggesting the drug she was using no longer was working.

At the same time, researchers at Duke University Medical Center were reporting a promising study of Avastin in combination with chemotherapy for brain tumors. In a small trial of 32 patients, 72% on treatment were alive at six months, 38% of them with no progression of their tumors—about double what would be expected for patients with Ms. Chin-Louis's kind of recurring brain tumor.

"It was early data, but it was very exciting," says Dr. Chang, director of the division of neuro-oncology at the University of California, San Francisco, Medical Center. In April, Dr. Chang asked Blue Cross of California to cover Avastin for Ms. Chin-Louis.

Blue Cross, owned by WellPoint, an Indianapolis company with more than 34 million members, denied coverage on May 21, saying in a letter: "Studies are ongoing to determine the role of this agent in the treatment of brain tumors."

Ms. Chin-Louis and her husband, a supervisor in sales at United Parcel Service Inc., say they couldn't afford the treatment. Her sister, Linda Tong, says she and her brother offered to cover the cost, but Ms. Chin-Louis initially resisted.

"I really felt that I had been paying for insurance for years for a reason, and when I needed medical care, my insurance company should pay," Ms. Chin-Louis says. "I didn't want to put that burden on my family."

In June, the doctor says she put Ms. Chin-Louis on a chemotherapy drug and appealed the denial for Avastin—telling insurance officials she wanted to use the drugs in combination. On July 20, a brain

scan showed the chemotherapy wasn't working: Ms. Chin-Louis's tumor had grown by 30%. She immediately agreed to allow her siblings to pay for Avastin, and she underwent her first treatment early last month.

In early August, asked by The Wall Street Journal about the Avastin denial, James Kappel, a spokesman for WellPoint, said: "While this patient's condition is very unfortunate, there is no medical evidence that supports the use of the drug" in brain tumors.

But Mr. Kappel called back the next day, saying WellPoint had approved Avastin for Ms. Chin-Louis. He said the company denied coverage at first because Dr. Chang sought to use the drug alone. Because Dr. Chang subsequently requested to treat Ms. Chin-Louis in combination with chemotherapy, as in the Duke study, WellPoint approved it, Mr. Kappel said.

Dr. Chang says the UCSF center has participated in a trial comparing Avastin on its own for brain tumors

and in use with chemotherapy. Avastin alone appeared effective in some patients in the study, which has yet to be published, she says.

Dr. Chang says Ms. Chin-Louis has responded well so far to the Avastin treatments. "She's awake and feeling good and able to engage with her family," the doctor says. Ms. Chin-Louis is due for a brain scan later this week, which she hopes will show the tumor's growth in check.

"I know none of these treatments works forever," Ms. Chin-Louis says. "But I definitely want a little more time."

She'd like to celebrate her 45th birthday on Sept. 30, she said. She's eager to see her sister Linda's baby girl, due to arrive by Cesarean section on Nov. 2. And a small part of her is even daring to hope she will be in the audience when her eldest son Andrew graduates from high school this June.