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INSIGHTS GROUP

# Why the Medicare Specialty Threshold Shouldn't Drive Pricing Strategy

## OVERALL OBJECTIVES

- ▶ Explore the considerations that a manufacturer should evaluate when estimating the impact of the specialty threshold in determining pharmaceutical pricing strategy.
- ▶ Outline why the specialty threshold should not be a key determinant in most pricing strategies.

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# INTRODUCTION

Establishing the price and subsequent market access strategy for a pharmaceutical asset is one of the most critical decisions influencing commercial success. The modern pharmaceutical executive faces many complex considerations across a diverse set of stakeholders when establishing a therapeutic's price. Some factors (e.g., payer price sensitivity, patient OOP sensitivity and the impact of payer restrictions on physician prescribing, HEOR/value calculations) unilaterally impact all therapeutics. However, there are a host of other factors that require careful consideration for their impact on pricing dynamics in certain markets.

The Medicare specialty threshold is commonly touted as an important factor that could have implications for not only the Medicare channel but also the commercial book of business. We argue that while the specialty threshold can be a key consideration for a minority of therapeutics, using the threshold as a "de facto" decision point is ill-advised for most products.

This paper will focus on how to properly evaluate the threshold's impact on pricing dynamics. Specifically, we will provide a framework to determine when the specialty threshold is applicable and highlight products where the threshold may have been appropriately (or inappropriately) considered in determining a pricing and market access strategy.