

Competition Leads to Healthcare Savings: A systems based case from the VA

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June 24, 2009

In 2002, the VHA Pharmacy Benefits Management Strategic Healthcare Group and the Medical Advisory Panel conducted a review of the ophthalmic prostaglandin analogues. At that time, most Iowa City VA patients on a prostaglandin analogue were being prescribed latanoprost, the original ophthalmic prostaglandin and the drug that residents were most familiar with from their experience on the University of Iowa Glaucoma Service. In studies dating back to 1995, once daily latanoprost had been shown to be as effective as twice daily Timolol for the reduction of intraocular pressure (IOP). In the 18 months prior to this review, several new prostaglandin analogues had come on to the market. Table 1 is a list of the ophthalmic prostaglandins on the market at the time of the VHA review.

| Generic Name | Trade name | Strength, package size | Manufacturer |
|--------------------|------------|----------------------------------|--------------|
| Bimatoprost | Lumigan® | 0.03%, 2.5 and 5 ml | Allergan |
| Travoprost | Travatan® | 0.004%, 2.5 ml, twin 2.5 ml unit | Alcon |
| Unoprostone | Rescular® | 0.15%, 5 ml | CIBA |
| Latanoprost | Xalatan® | 0.005%, 2.5 ml | Pharmacia |

Results of the VHA Review

There was some debate, often fueled by bias from the pharmaceutical companies as to the advantages of each of these agents for glaucoma. However, based on this unbiased review, the VHA determined that latanoprost, bimatoprost, and travoprost were essentially equivalent. Each of the companies responsible for these agents were asked to present a bid to the VHA for their best price for 2.5 ml of their prostaglandin analogue.

The VA Makes A Deal

In 2003, the VA awarded a closed class contract to Alcon for travaprost, meaning that all patients naïve to a prostaglandin would be initiated on travaprost. In 2003, travapost had very little market share despite the multiple studies that had shown it to be equally as effective as latanoprost. In order to push more units in the market and in order to make its product known to VA residents and staff, Alcon was aggressive in its VHA contract bid and came in at \$7.48 per bottle. This was a marked discount compared to about \$30 per bottle

for latanoprost or bimatoprost and significantly less than the greater than \$100/bottle often paid to pharmacies by patients outside of the VA system. Eventually almost all of the patients (even established patients) on other prostaglandin analogues were switched to travoprost. Table 2 is a summary of the cost per bottle at the Iowa City VA hospital for the years 2003 to 2005.

| DRUG | FY2003 | FY2004 | FY2005 |
|--------------------|---------|---------|---------|
| BIMATOPROST | \$40.57 | \$45.21 | \$44.09 |
| LATANOPROST | \$32.03 | \$31.72 | \$33.12 |
| TRAVOPROST | \$9.15 | \$7.04 | \$7.05 |

Out With the Old and In With the New

Over the next two years, the use of travoprost in VA patients dramatically increased. In 2005; 133,361 United States veterans received travoprost from VA pharμες. The Iowa City VA hospital alone saved \$182,231 from 2003 to 2005. Table 3 is a summary of the large switch to travoprost and the overall cost savings.

| DRUG | FY2003 | FY2004 | FY2005 | 2-year savings |
|-------------------------|-----------|-----------|----------|----------------|
| BIMATOPROST | 391 | 295 | 147 | |
| LATANOPROST | 6,060 | 4,563 | 1,178 | |
| TRAVOPROST | 86 | 2,467 | 6,795 | |
| cost | \$224,475 | \$187,058 | \$96,603 | \$182,231 |
| Total # of Rx's | 6,537 | 7,325 | 8,120 | |
| Ave. cost per Rx | \$34.34 | \$25,54 | \$11.90 | |

The VA continued to save millions of dollars with the travoprost contract nationwide. Alcon reported selling 1,320,000 units to the VA in 2007. Assuming they were undercutting latanoprost by about \$25, this amounted to a savings of \$33,000,000 in 2007 alone. The estimated total units of travoprost sold to the VA since the start of the closed contract in 2003 through July of 2008 was reported to be 4,889,755 units for a savings of \$122,243,875. Alcon reported the total sales of these units during that time to be \$36,615,527.

Looking to the Future

The VA closed class contract expires at the end of 2009. It will be interesting to see how the free market will play in to future contract negotiations. Also of interest is that latanoprost will become generic in 2011 raising the possibility of switching large numbers of VA patients from travoprost to generic latanoprost.

There is an ever growing debate in the United States regarding the need for drastic healthcare reform. At the forefront of this debate is the need to cut the cost of healthcare. Also in question is how free market forces will play in to possible national health care plans.

The VHA travoprost contract of 2003 tells an interesting story of how head to head competition can help to drastically cut the cost of healthcare. Critical to this competition was the unbiased determination by the VHA that 3 of the 4 prostaglandin analogues were essentially equivalent which quieted the company representatives (and any biased physicians) and allowed the competition to continue. These types of comparisons and detailed reviews could lead to improved patient care and more competitive pricing for our patients in other areas also.

REFERENCE:

1. VHA Pharmacy Benefits Management Strategic Healthcare Group and the Medical Advisory Panel. Drug class review: ophthalmic prostaglandin analogues. 2002.

Suggested Citation Format:

Privett B, Oetting TA, Competition leads to Healthcare savings: A systems based case from the VA. EyeRounds.org. June 24, 2009. [cited today's date]; Available from: <http://webeye.ophth.uiowa.edu/eyeforum/cases/95-systems-based-competition-leads-to-healthcare-savings.pdf>