Pink Sheet
Pharma intelligence | informa

Bundled Contracts To Defend Against Biosimilars May Face Payer Skepticism

By Cathy Kelly

J&J PLANS TO RELY ON ITS broad portfolio to contract favorably in a 'post-biosimilar world,' but cross-category bundling is generally discouraged by payers.

• • •

Johnson & Johnson hopes to leverage its broad product portfolio in contracts with large health care providers to ensure preferred access for its blockbuster *Remicade* (infliximab) after biosimilar competition reaches the market.

"We ... know that when we contract across the Janssen and Johnson & Johnson portfolio that it provides us a very important position with larger health care systems and networks. So that's the way we see it and that's the way we plan for it going forward," Chairman and CEO Alex Gorsky said during the company's earnings presentation July 19.

"We believe our capabilities to deliver strong value to patients, providers and payers along with our broad Johnson & Johnson portfolio will enable us to compete effectively in a post-biosimilar world," a company spokesman added in an email.

With a bundled contract, a manufacturer might offer a health care provider or payer deep rebates on a flagship drug on the condition that other, perhaps weaker or vulnerable drugs in its portfolio also be given preference.

Gorsky's comments responded to a question on how J&J plans to approach contracting to offset the potential impact of **Celltrion Inc.**'s *Inflectra* (infliximab-dyyb) on Remicade, which is on track to record US sales of nearly $5bn in 2016. Sales for the drug were $2.45bn in the first half.

J&J s not expecting Inflectra to reach the market until after the end of this year. The biosimilar was approved by FDA April 5 but its advance to market is being blocked by litigation *(Also see " JnJ Not Sweating Remicade Biosimilar Approval " - Scrip, 20 Apr, 2016.)*.

Remicade and the biosimilar Inflectra are administered intravenously, so would generally be covered under the medical benefit along with physician services. Purchasing decisions for such drugs are handled by physicians or health care systems.

Gorsky did not elaborate on the type of contacting the company will pursue. But a strategy involving bundled price concessions across categories might be greeted with skepticism by some payers. It is "not so easy to do this across therapeutic categories – payers hate giving up the ability to switch patients from one drug to another. They're in fact trying to unwind bundles," said Roger Longman, CEO of pharmaceutical reimbursement consulting firm RealEndpoints.

Tying Remicade Access To Price Deals On Stelara

However, bundling within categories is easier to execute and can be an effective strategy, Longman pointed out. One approach could be tying access for Remicade to a good deal on J&J's next most successful anti-inflammatory drug, *Stelara* (ustekinumab).

Stelara is an interleukin antagonist and works through a different mechanism of action than Remicade (or Inflectra). It recorded US sales of $1.1bn in the first half of 2016, representing a 45% gain versus a year ago.

Stelara has a more narrow label than Remicade. It is indicated only for psoriasis and psoriatic arthritis while

Remicade is approved in rheumatoid arthritis, psoriatic arthritis, psoriasis, ankylosing spondylitis, ulcerative colitis and Chrohn's disease. J&J is currently pursuing an added indication in Crohn's disease for Stelara *(Also see "Crohn's Pipeline: Janssen Seeks New Niche For Stelara As Biologics Use Rises" - Scrip, 19 Mar, 2016.)*.

Another approach would be to discount Remicade to a level "just north" of the biosimilar, Longman noted. "The biosimilar won't be able to discount much lower because it doesn't have the economic flexibility (biosimilars aren't cheap to develop and make, unlike small-molecule generics) so don't have the margin space to reduce prices as steeply" as J&J would, he noted.

He suggested a 30% discount for Remicade might be enough to deter the biosimilar and still retain profitability for the innovator product.

J&J currently markets one other, smaller, anti-inflammatory drug and may be able to add others to its portfolio in 2017. *Simponi* (golimumab) is a tumor necrosis factor (TNF) inhibitor like Remicade. Its US sales reached $460m in the first half, up 41% versus the same period in 2015.

J&J has two other interleukin antagonists in development. The company is partnered with **GlaxoSmithKline PLC** on developing sirukumab for rheumatoid arthritis. Guselkumab is also in Phase III and is being studied in psoriasis. J&J expects to file applications with FDA on both candidates in 2016.

Published online July 21, 2017