

BACKGROUND

- The healthcare landscape in the US has been witnessing a paradigm shift from volume-based reimbursement models to value-based reimbursement models.
- Many anecdotal reports have been published regarding the activity of payers and manufacturers engaging in outcomes-based contracting (OBC).
- The promise of OBC is high and the enthusiasm for it has grown, however, the actual uptake has been mixed and difficult to understand.
- Additionally, there is a dearth of research that has systematically explored the current value-based contracting landscape and managed care payers' perceptions toward these types of contracts.

OBJECTIVE

- The objectives of this study were to examine the current activity of OBC in the USA, including prevalence, design, therapeutic areas of focus; clinical and non-clinical factors that either support or impede adoption; and the activity payers expect to see during the next 2-3 years.

METHODS

- An online national survey was conducted with 30 pharmacy directors who were a part of a pharmacy and therapeutics committee at a managed care organization or pharmacy benefit management organization.
- All respondents were responsible for making new drug formulary coverage decisions and were chairing or advising their P&T on such committees.
- The respondents are members of the MME proprietary payer panel.
- The survey was initiated on March 28, 2017, and data collection was completed on April 17, 2017.
- The survey took about 30 minutes to complete, and respondents received an honorarium for participation and completion of the survey.

RESULTS

- Respondents reported managing a total of over 200 millions lives. Of these, 77% were Commercial lives, 15% Medicare, and 8% Medicaid lives (Refer Figure 1).
- Payer's experience negotiating OBCs with pharmaceutical manufacturers**
- Currently, majority of payers (64%) representing 70% of enrolled lives have no outcomes-based contracts in place with pharmaceutical manufacturers (Figure 2).
 - 7% of payers reached an agreement, but not implemented;
 - 23% had negotiated, but had not reached agreement;
 - 23% had discussed, but never progressed; and only 7% had never discussed.
- Most payers reported that it is too early to evaluate satisfaction with these contracts whereas 25% reported modest satisfaction (Refer Figure 3).

Figure 1: Payer Demographics

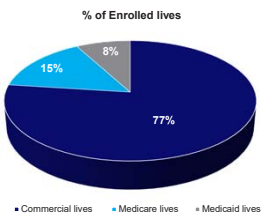


Figure 2: Payer reported experience with negotiating OBC agreements

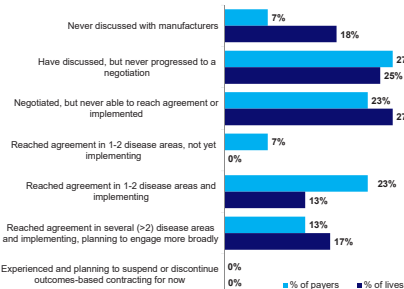
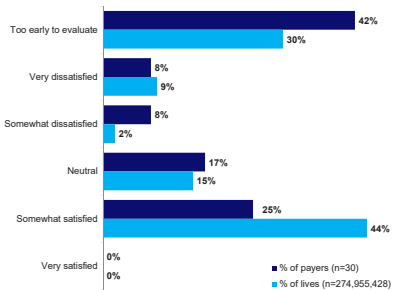


Figure 3: Payer reported satisfaction with current OBC innovative contracting



RESULTS (CONT)

- Current status (2017): Participation in OBC initiatives**
- 11 payers report currently having at least 1 OBC, with measures based on clinical (14) or resource use (11) or patient adherence (10) (Figure 4).
 - 74% of enrolled lives currently have adherence based agreements, 56% of the enrolled lives currently have a clinical outcomes based agreements and 20% have resource based outcomes agreements (Figure 4).
- Future status (2020): Expected participation in OBC initiatives**
- Over the next three years, payers showed the greatest strength of interest in OBC that are based on clinical outcomes, resource utilization, or are guarantee based.
- Payers anticipate clinical, resource based and guarantee based outcomes contracting to witness large increases in activity by 2020 (Figure 5).
- Payers reported being open to a spectrum of innovative or risk bearing contracting designs, including treatment guarantees, spend or volume limits, adherence, and real world evidence studies.

Figure 4: Comparison of types of innovative contracting agreements in 2017 vs. 2020

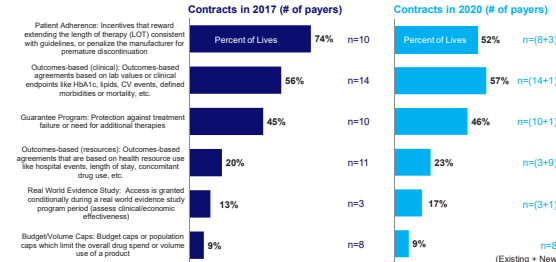
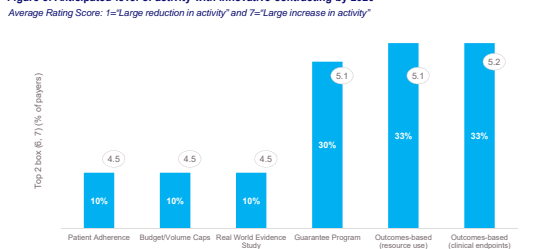


Figure 5: Anticipated level of activity with innovative contracting by 2020



RESULTS (CONT)

- Future status (2020): Expected participation in OBC initiatives by therapeutic areas**
- A high level of interest is expected in implementing OBC contracts for multiple diseases over the next three years (Figure 6).
 - Payers representing more than 60% of enrolled lives anticipate implementing an OBC for Multiple Sclerosis and Hepatitis.
 - An OBC for Inflammatory conditions and Homozygous familial hypercholesterolemia was anticipated to be implemented by payers representing more than 40% of enrolled lives.
 - Although payers representing more than one-third of enrolled lives expressed very high interest in implementing OBC for oncology, an equal number expressed very little interest.
- The interest in certain therapeutics areas is strongly aligned with payer estimates of budget impact. (Figure 6A)
- Barriers to outcomes-based contracting**
- Payers indicated multiple levels of barriers to the implementation of OBC, with the largest being access to data, followed by difficulty in agreeing to terms such as inclusion and exclusion criteria, measurements, monetization of risk and manufacturers willingness to take on risk (Figure 6)
 - 57% of payers representing 72% of enrolled lives reported access to data and limitations of information systems
 - 60% of payers with 66% of enrolled lives reported lack of agreement on the details of inclusion and exclusion criteria's
 - 63% of payers representing about 50% of enrolled lives sited agreement on measurements, monetization and willingness of manufacturers to accept risk

Figure 6: Anticipated level of interest for OBC based on therapeutic areas by 2020

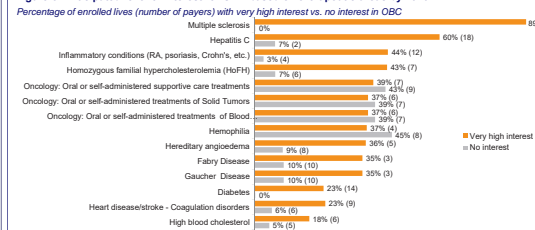


Figure 6A: Ranking for diseases having budget impact vs. anticipated level of interest in OBC

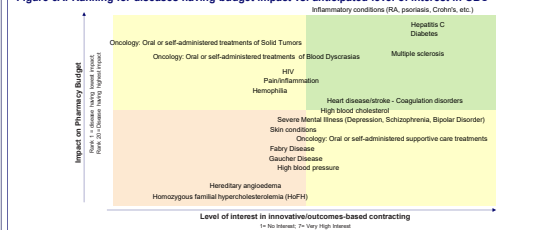


Figure 7: Level of Barriers to OBC agreements



CONCLUSIONS

- A paradigm shift is happening in the US drug market, moving from a volume-based reimbursement model to a value-based reimbursement model. Many anecdotal reports have appeared regarding individual initiatives between payers and manufacturers, but there are few systematically studies that have explored the actual and anticipated activities and beliefs of payers. OBC momentum appears to be building as more payers are likely to jump in, however some notable actors are getting out. Summary of key findings:
 - Results indicate that OBC is still in the early stages, with most payers being exposed, interested, and still experimenting.
 - However, payers indicate there are significant barriers to overcome, like access to data, the complexity of reaching agreements, and manufacturer willingness to accept enough risk.
 - Payers expect OBC to increase in the next 2-3 years, with higher budget areas being the most attractive.
 - The importance of factors supporting OBC initiatives were overall budget impact, data availability, consensus on measures, and pharmacy budget impact.