



Value-Based Contracting for Pharmaceuticals

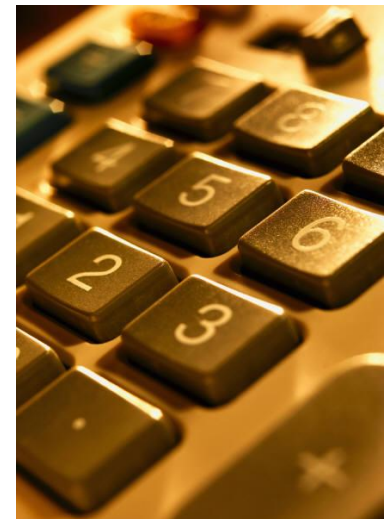
- James T. Kenney, RPh, MBA
- Manager, Specialty and Pharmacy Contracts
 - Harvard Pilgrim Health Care

Harvard Pilgrim Health Care

- Self-Managed Pharmacy Benefit
- Pharmacy Benefit Manager – MedImpact
- We Negotiate Contracts Directly with Manufacturers
- We Manage Our Own Formularies
- Non-Profit Status with Rebates Used as Offset to Drug Spend

Traditional Contracts

- Rebate or Purchase Discounts
- Access Driven
- Market Share Components
 - National
 - Regional
 - Plan Level
- Volume-Based Elements



Outcomes-Based Contracts

Rebates Paid Based on the Actual
Performance of the Drug in Real World
Clinical Practice

Value-Based Contracts

Payment for Drugs is Calculated in Part Based
on the Effectiveness of the Product

Performance-Based Contracts

Improved or Guaranteed Medical Outcomes
as an Offset to the Increased Cost/Use of
Pharmaceutical Products

Trend Drivers for Outcomes Based Contracts

- Increase in Generic Product Launches
- Decrease in Branded Product Leverage
- Launch of Multiple Specialty Products
- Patient Engagement Programs
- Interest in Health and Wellness
- Manufacturers Expansion of Support Programs

Value Proposition

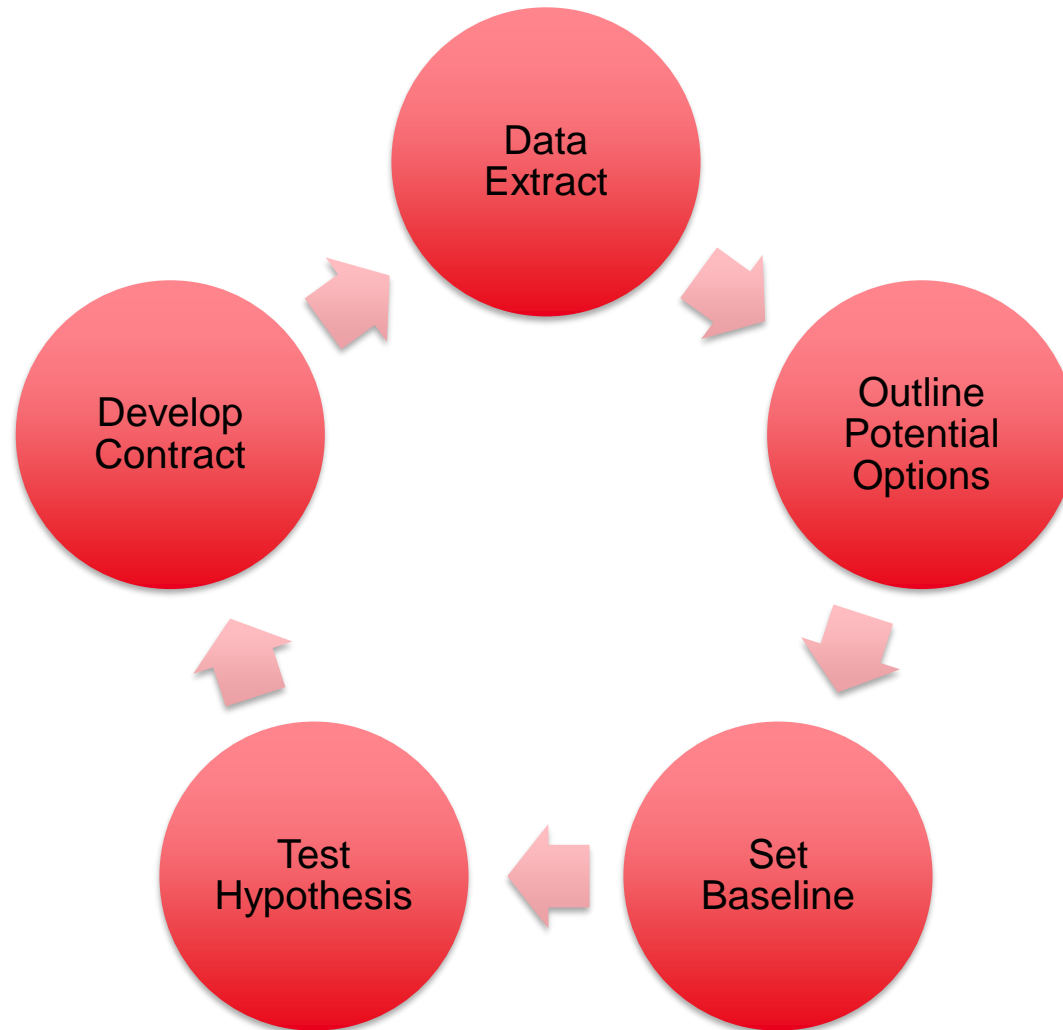
Improved Medical Outcomes Will Reduce
Costs and Offset the Increased Use of
Pharmaceutical Products

(Aligns with Pay-for-Performance and Risk-
Sharing Strategies with Providers)

Outcomes Contracting

- Starting Point is a Blank Slate
- Can be Complicated or Simple
- Need to have Buy-In from Corporate Management of Both Parties
- Typically Need Pharmacy and Medical Claims Data
- Can Start with Basic Pharmacy Claims Only Agreement
- Rebates Shared with Risk Holders

Design Model



Outcomes Contract Basics

- Chronic or Acute Medical Conditions
- Identifiable and Measurable Outcomes or a Valid Proxy
- Population or Individual Based
- Upside or Downside Risk
- Adherence/Compliance Requirements



Variables

- Disease State/Therapeutic Category
- Indication
- Clinical Trial Results as Compared to Real World Evidence
- Pharmacy Benefit Manager
- Specialty Pharmacy
- Current Contracts



Key Drivers for Health Plans

- Proof of Efficacy with Outcomes Performance
- Improved Product Access
- Limit Products to a Specific Population
- Reduce Financial Risk
- Increase Rebates/Savings
- Reduce Overall Costs



Savings Opportunities

- Event Avoidance
 - ER Visits/Hospitalizations
 - Office Visits
 - Ancillary Resource Utilization
- Reduction in Medical or Pharmacy Expenses Long Term
- Reduced Disability Claims
- Decreased Absenteeism

Federal Legislative Issues

- Plans are Looking for Federal Legislative Relief for a Number of Issues that would Reduce Risk for Value-based Contracts Including the Following
 - Anti-kickback Statute (42 U.S.C. § 1320a-7b) prevents parties from giving something of value with intent to influence a purchase under a federal program
 - Medicaid Best Price Rule
 - Off-label Promotion
 - 21st Century Cures Act Improved Communication Between Formulary Committees and Manufacturers

Measurement Challenges

- Metrics
- Timeline
- Data Collection Method
- Validation Options/Analytics
- Third Party Participation
- Health Insurance Portability and Accountability Act (HIPAA)

Barriers to Success

- Transaction/Administrative Costs
- Information Technology Limitations
- Selection of the Outcomes Measure
- Physician Resistance/Need to Change Behavior
- Trust Issues
- Realization of Savings/Benefits

Current Value-Based Agreements

Manufacturer	Drug	Disease State
Amgen	Enbrel	Rheumatoid Arthritis
Amgen	Repatha	Hypercholesterolemia
Astra Zeneca	Brilinta	Acute Coronary Syndrome
Astra Zeneca	Bydureon	Diabetes
Biogen	Avonex, Tecfidera, Tysabri	Multiple Sclerosis
Bristol Myers Squibb	Sprycel	Leukemia
Eli Lilly	Forteo	Osteoporosis
Eli Lilly	Trulicity	Diabetes
Novartis	Entresto	Heart Failure

Long Term Goals

- Multiple Outcomes Contracts for Competing Therapies
- Use Results to Make Formulary Decisions/Changes
- Assess True Benefit of Treatments
- Get Value in Return for Pharmaceutical Dollar Spend

Questions

