

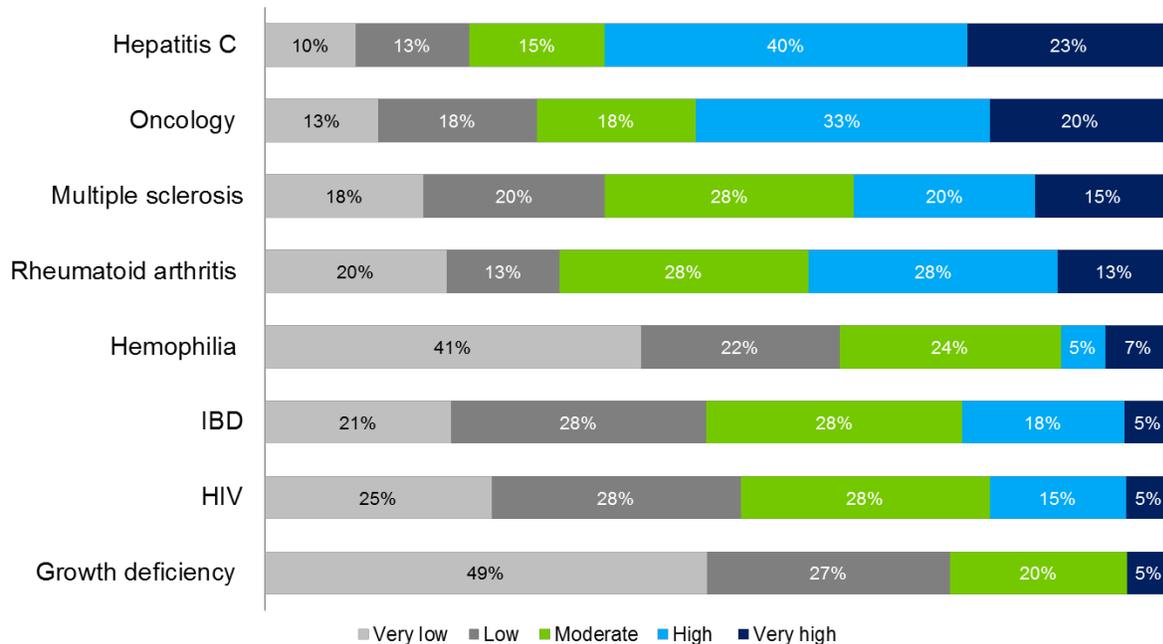
## Health Plans Are Interested in Tying Drug Payments to Patient Outcomes

### *Hepatitis C and Oncology Are Top Therapeutic Area Targets*

A newly released Avalere analysis shows that a majority of health plans are interested in forming outcomes-based contracts with biopharmaceutical manufacturers that tie product reimbursement to patient outcomes. The interest is especially high for Hepatitis C and oncology drugs, though recent evidence suggests plans are broadening their focus to non-specialty areas as well.

In a 2015 survey conducted by Avalere, 63 percent of health plans expressed high or very high interest in entering into outcomes-based contracts with drug manufacturers for Hepatitis C therapies. For oncology, 53 percent of plans expressed high or very high interest. Plans also expressed interest in outcomes-based contracts for rheumatoid arthritis (41%) and multiple sclerosis (35%).

U.S. Health Plan Interest in Entering into Outcomes-Based Contracts with Manufacturers



Avalere experts indicate that newer data suggest plans are broadening their interest in outcomes-based contracts for a wide array of conditions, including non-specialty drugs used to treat large populations like those for cardiovascular disease. Practical challenges in negotiating these contracts in some specialty areas, such as oncology, may be encouraging a broader focus on a wide range of diseases.



As the healthcare system continues to shift to value-based care, these types of arrangements are becoming more common in the U.S. and their reach into different therapeutic areas broader. Additionally, the need for real-world evidence of patient outcomes, cost and appropriate use of different treatments are leading health plans and manufacturers to look toward different agreement options to help them manage risk and improve predictability of meeting cost and quality targets.

## **Which Therapeutic Areas Are Targets for Outcomes-Based Contracts?**

Specialty pharmacy treatments tend to be for these conditions that are highly-complex and require more coordination for the manufacturer, the pharmacy, and the provider. Specialty drugs comprise much of the pharmaceutical pipeline and account for most of the prescription drug spending growth, which makes them a target for outcomes-based contracts. However, some new non-specialty pharmacy market entrants, such as the PCSK9s, while not as highly priced on a unit basis as specialty pharmacy products, are potentially applicable to much broader patient populations, resulting in high total costs for a payer. With a desire to manage all types of pharmaceutical spending, health plans see these “non-specialty” products as targets for outcomes-based contracts as well.

“The growth of outcomes-based contracts between plans and manufacturers is a clear response to the health system’s call for cost-containment without restricting patients’ access to new, breakthrough therapies,” said Dan Mendelson, president at Avalere. “Plans, manufacturers and providers are all looking for ways to reduce cost without comprising patient outcomes and access—these types of contracts are one possible solution.”

## **Potential Areas for Alignment**

Avalere analysis shows that there are areas of mutual benefit for manufacturers, health plans, and providers. Specifically, these types of arrangements encourage collaboration between stakeholders, which may increase the predictability of coverage and reimbursement processes.

“Recent specialty drug product launches by manufacturers in the areas of cholesterol and heart disease have taken advantage of outcomes-based contracts to engage health plans with a more thoughtful and data-driven approach towards reimbursement and patient access” said Rujul Desai, vice president at Avalere.

Outcomes-based contracts will also help plans, providers and manufacturers identify patient populations who will benefit the most from treatment. Lastly, these agreements can help enhance understanding and predictability of key value metrics in real-world settings.



## Key Considerations for Entering into a Successful Agreement

To date, the adoption and implementation of outcomes-based contracts has been limited in the U.S. market, and some agreements have experienced challenges resulting in early termination. One of the leading hurdles has been reaching agreement between both parties on the data sources and measurement of the outcomes that are used as the basis for evaluation. In response to these hurdles new platforms and solutions are coming on line to help bridge the gap between key stakeholders as interest in outcomes-based contracts grows over time in the U.S.

“Despite the difficulties that plans and drug manufacturers may face when entering into a risk-based contracts, there are opportunities for all stakeholders involved to benefit in the end,” said Kathy Hughes, vice president at Avalere. “Coming to agreement on all of aspects of a contract—design, management, payment, implementation, and data collection—is a difficult but necessary process that requires the full commitment of both parties.”

### Learn More about Outcomes-Based Contracts

On Monday, June 20, at 1 pm, Avalere will be hosting a webinar on this topic. Vice Presidents Rujul Desai and Kathy Hughes, as well as Manager, Erin Velez, will be presenting. To register for the webinar, please use this link: <http://avale.re/1rgy2BA>.

### Methodology

In March 2015, Avalere conducted a survey of 42 U.S. health plans representing 161 million covered lives. The respondent population consisted of two integrated health systems, 10 national, and 30 regional/state health plans. The survey was double-blinded and no identifiable information about the respondents was revealed. Payer respondents consisted of Pharmacy Directors (n = 21), and Medical Directors (n = 20); one respondent did not answer the questions. More than 50% of respondents had a significant amount of work experience (11+ years in current role).

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