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HEALTHCARE CONSULTANTS

Innovative Contracting: What's the Verdict?

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Innovative Contracting: What's the Verdict?

Industry is finding it harder to secure market access and payer uptake for new products. Innovative contracting may offer a solution. But is it working? Andrea Sobrio reports.

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How can a pharmaceutical company convince payers that a new treatment is worth budgeting for? Many companies have shifted the weight of their resources to payers and key accounts, with increased investment in pricing strategy, payer collaborations, and health economics. But it is still vital in the current environment to identify compelling "win-win" scenarios based on a single overriding premise: minimize risk for the payer.

This is where innovative contracts come in. The aim of an innovative contract is to deflect or limit risk for payers, with the added benefit of producing useful real-world data. But does it work in practice?

Types of innovative contracts

Based on the research conducted by Executive Insight, seven commonly utilized types of contracts were identified, which can in turn be broadly split into three main types of agreement:

Performance-based agreements (PBAs). These provide specific performance- related conditions for reimbursement for treatments. PBAs are generally implemented to provide a "safety net" in case a drug does not achieve its stated primary outcome, or to plug any existing gaps in evidence about a drug that might trouble a payer.

Financially based agreements (FBA). These establish a pre-agreed sales threshold or per-patient unit use, which if exceeded, must be compensated for by the pharmaceutical company. Generally the FBAs are seen as the more straightforward types of contract.

Value-added agreements (VAA). Under these schemes, manufacturers offer discounts but also provide the patients with additional services to ensure optimal medical treatment. These services may be support programs, educational programs, or home care visits by qualified nurses, to name a few.

"We differentiate 3 main types of agreements:

1. performance-based

2 financially-based and

3. value-added."

What are the benefits?

The research showed that innovative contracts can help pharmaceutical companies from a financial perspective, achieving faster market access, higher sales volumes, and faster patient access to drugs, but they can also improve performance and outcomes and provide data demonstrating cost-effectiveness, as well as patient outcomes in the real care setting (real-world data), both of which are important to payers. Most importantly from the payers perspective is the “safety net” provided by these types of agreement.

What are the issues?

The greatest concern is the high administrative burden, a problem that particularly seems to be associated with PBAs. For example, many schemes require significant additional patient monitoring and data collection to verify whether the stipulated conditions have been met.

Another difficulty that can arise is agreeing on a surrogate endpoint or biomarker, whereby a drug can be judged as having worked or not.

Stakeholders also state concerns about a lack of trust that exists between pharmaceutical companies and payers, which may restrict collaboration and make negotiations difficult.

A lack of inclusion and transparency for doctors and their patients is also a perceived problem. Many doctors criticize the lack of transparency of these contracts, stating that patients and providers are not given enough information on the structure and benefits.

Lessons for the future

Have an implementation methodology in place. Having a solid methodology on exactly what type of innovative contract to implement in what scenario is critical.

> *"A clear roadmap for implementation is crucial.*
>
> *It is also important to assemble all relevant stakeholders at the table, and especially involve physicians and patients early on to understand market needs."*

Establish trust. The research showed that payers are generally the more sceptical party about the benefits of innovative contracts when, in theory, such schemes should have the obvious benefit of reducing the payer's budget. Therefore, it is essential that when developing an innovative contract, payers are involved from an early stage.

Simplify where possible. Greater simplicity may also help to ease the administrative burden that represents such an important barrier for the implementation of innovative contracting schemes. In addition, try to establish straightforward and easily measurable assessment criteria for the contract.

Involve physicians and patients. A better patient and physician understanding of the benefits of these schemes would ultimately provide more support and potentially better outcomes.

There is a clear need for innovative contracting. The current market conditions and growing importance of the payer absolutely dictate that. However, innovative contracts are too often designed and agreed upon without all the relevant factors being taken into consideration. Companies can create a competitive edge when implementing innovative contracts. Expert guidance can help to establish a framework that fits with the company strategy, as well as establish access to payers to kick start successful implementation.

About the Author

Andrea Sobrio is a partner at Executive Insight. He can be reached at a.sobrio@executiveinsight.ch

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HEALTHCARE CONSULTANTS

Zurich | London

www.executiveinsight.ch

info@executiveinsight.ch