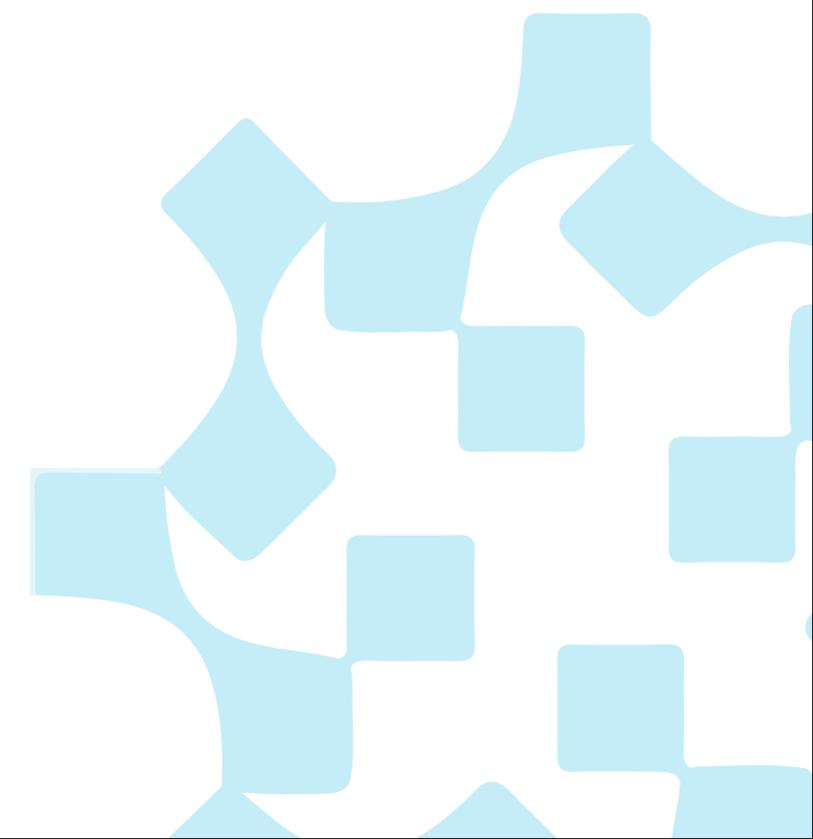


Value-Based Contracting in Pharmaceuticals

January 2019 Update



Value-Based Contracting and Pharmaceuticals

Darwin Research Group started tracking value-based pharmaceutical contracting in 2015, which began initially as a consulting project for a client. Since then we have continued to monitor publicly available reports on contracting activity.

We know from our industry relationships that there are far more performance and outcomes-based contracts in place today than we have listed in this report.

However, many of those agreements remain confidential. Merck, for example, said in 2017 that it had ten value-based agreements in place. At that time, Merck's only publicly known contract was for Januvia/Janumet. It remains the only contract that Merck has made public.

Still, value-based contracts are the exception, not the norm. In 2017, then Pfizer CEO Ian Read noted his frustration with value-based contracting at a policy forum in Washington, D.C.

"We've been struggling to do value-based contracting with payers and providers," he said. "We have about 18 different projects underway but we've achieved [only] one."

One major complaint we hear from our clients is that **the cost of administering value-based contracts** is more than it is worth. It takes time to set up a program and monitor patient populations over time—and some payers aren't willing to do that.

Also at issue is patient compliance. If payment is tied to outcomes but the payer or pharmacy benefits manager (PBM) doesn't ensure that patients are receiving and taking their medication, outcomes will be worse. But medication adherence is outside of the manufacturers control. This is why some value-based contracts include an adherence threshold.

Pharmaceutical manufacturers engage with payers and PBMs to collaborate on population health efforts that can lead to outcomes-based or indication-based pricing. For example:

- In 2011, AstraZeneca and WellPoint's HealthCore unit entered into a four-year agreement to conduct studies analyzing electronic medical records, claims information and patient surveys. The goal was to compare multiple treatment options and find the most cost-effective option.
- Also in 2011, Sanofi entered into a multi-year agreement with Express Scripts evidence assessments during development and approval processes. The aim was to define relative value for pharmaceuticals early in development.
- In 2016, a former Anthem executive and an Eli Lilly official announced in a Health Affairs Blog post that Anthem and Eli Lilly are involved in a cooperative initiative to reduce drug costs.
- In May 2017, Merck partnered with OptumRx's PBM to simulate the outcomes of various reimbursement models in value-based contracts.

As you will find on the following pages, **the number of outcomes-based contracts is increasing every year.** Since they are generally multi-year contracts, the number of agreements in place are cumulative.

If there is a value-based contract that we missed, please contact John Marchica at jm@darwinresearch.com.

Recent Value-Based Pharma Contracts

Year	Therapeutic Area/Disease	Drug	Pharma Company	Payer	Notes
2019	Cardiovascular	Brilinta (ticagrelor)	AstraZeneca	UPMC for Life (MA)	Two-sided risk, \$7-\$10 copays
2018	Substance abuse	Vivitrol (naltrexone)	Alkermes	UPMC Health Plan	Reimbursement linked to “positive clinical outcomes,” presumably with the patient being substance-free
2018	Diabetes	Jardiance (empagliflozin)	Boehringer Ingelheim	UPMC Health Plan	Reimbursement linked to the total costs of care for all people with diabetes treated with Jardiance
2018	Diabetes	Praluent (alirocumab)	Sanofi/ Regeneron	Express Scripts	Exclusivity on national formulary; lowered cost and shared rebates with consumers at point of sale
2018	Cancer	Kymriah (tisagenlecleucel)	Novartis	Various	No charge for the therapy unless patients meet certain clinical milestones
2018	Asthma, COPD	Symbicort (budesonide and formoterol fumarate dihydrate)	AstraZeneca	Harvard Pilgrim	HP is charged a lower amount if the occurrence of worsening symptoms/exacerbations requiring medical intervention exceed predetermined thresholds based on clinical trials

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Recent Value-Based Pharma Contracts

Year	Therapeutic Area/Disease	Drug	Pharma Company	Payer	Notes
2018	Congenital amaurosis	Luxturna (voretigene neparvovec)	Spark Therapeutics	Harvard Pilgrim	Reduced net cost to HP by tying level of payment to measured improvements in patients at a 30 to 90-day interval and then again at a 30-month mark; if the therapy fails to perform as agreed upon, HP receives a rebate
2017	Cardiovascular, Diabetes	Brilinta (ticagrelor), Bydureon (exenatide extended release)	AstraZeneca	Harvard Pilgrim	Brilinta: measuring the reduction in hospitalizations against competitors; Bydureon: adherence to HbA1c levels. In both cases, payments tied to outcomes.
2017	Cholesterol	Repatha (evolocumab)	Amgen	Harvard Pilgrim	Harvard Pilgrim can receive a full rebate for the cost of Repatha if an eligible patient experiences a myocardial infarction or stroke while on the drug—essentially a money-back guarantee
2017	Osteoporosis	Forteo (teriparatide)	Eli Lilly	Harvard Pilgrim	Rewards improvement in adherence compared to baseline; if meaningful improvements are found, Lilly reduces the cost of the drug for HP
2016	Diabetes	Trulicity (dulaglutide)	Eli Lilly	Harvard Pilgrim	Trulicity gets a formulary upgrade with Harvard Pilgrim, in return for a money-back guarantee—and potential bonuses. Two-sided risk.
2016	Severe immunodeficiency	Strimvelis (gene therapy)	GSK	E.U.	Money-back guarantee for gene therapy to cure rare “bubble boy” disease; priced at 594,000 euros (\$665,000)

Recent Value-Based Pharma Contracts

Year	Therapeutic Area/Disease	Drug	Pharma Company	Payer	Notes
2016	Heart failure	Entresto (sacubitril/ valsartan)	Novartis	Cigna, Aetna, Harvard Pilgrim	Pay-for-performance tied to hospitalizations and re-hospitalizations for their heart failure population
2015	Cholesterol	Repatha (evolocumab)	Amgen	Harvard Pilgrim	HP gets additional discounts if the reduction in LDLs is less than how it performed in clinical trials or if utilization of the drug exceeds certain predetermined levels
2014	Cholesterol	Crestor	AstraZeneca	Cigna	Contract uses predictive risk modeling to assess a patient's overall health condition to administer the appropriate cholesterol-lowering medication
2011	Multiple Sclerosis	Rebif (interferon beta-1a)	EMD Serono	Cigna, Prime Therapeutics	Amount of rebate based on percentage of hospitalizations and ER visits avoided by use of Rebif. The deal also stipulates minimum levels of adherence—Serono pays higher rebates for better adherence.
2009	Osteoporosis	Actonel (risedronate)	Procter & Gamble, Sanofi-Aventis	Health Alliance	The Alliance for Better Bone Health (P&G and Sanofi-Aventis) agreed to reimburse Health Alliance for medical costs of treating covered non-spinal, osteoporosis-related fractures in post-menopausal eligible female members correctly taking Actonel prior to fracture
2009	Diabetes	Januvia (sitagliptin) and Janumet (sitagliptin/ metformin)	Merck	Cigna, Aetna	Better formulary placement and lower consumer out-of-pocket expenses for Januvia and Janumet tied to how well individuals with Type 2 diabetes are able to control blood sugar

Darwin Research Group provides advanced market intelligence and in-depth customer insights to pharmaceutical executives and other health care suppliers and providers. Our strategic focus is on health care delivery systems and the global shift toward value-based care.



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- **Behavioral Health Care**

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- ✓ IDN Profiles for account managers and 60-minute training session, Q&A
- ✓ In person, 90-minute top-line review and Q&A for senior management
- ✓ Actionable models, such as our ACO Visual Scorecard and Darwin Value Index.

Ask anything. Get answers on a silver platter.

FIRST, WE GATHER:

- Leadership/Org Chart
- Organization Structure
- Strategic Priorities
- Influential/Emerging Leaders
- Value-Based Initiatives
- Population Health Initiatives
- Partnering Roadmap
- Overview and Recent News
- Population Characteristics
- Payer Mix
- Performance Metrics
- Market Share/Competition
- Contact Information
- Executive Bios
- Affiliations

THEN WE MAKE IT HUMAN:

- **Market Relationships at a glance** - Including pending mergers, acquisitions, partnerships, and who is looking for them.
- **Provider pain points** - so you understand the "why" behind IDN strategic movements.
- **Darwin Value Index** - numbers that matter, so you can compare IDNs easily and see the big-picture in minutes



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- Personal interviews with clinical and management executives
- CMS, U.S. Census, and Darwin proprietary databases
- Target entities include physician groups, freestanding centers, and large IDN-based cancer centers

WITH PROFILES, YOU GET:

- ✓ Cancer center profiles for account managers and 60-minute Q&A session
- ✓ Management brief with key findings, including 1-page executive summaries of targeted cancer centers
- ✓ In person, 90-minute top-line review and Q&A for senior management

WE IDENTIFY ALL THIS:

- Clinical Pathways
- Leadership/KOLs
- Organization Structure
- Strategic Priorities
- Influential/Emerging Leaders
- Value-Based Initiatives
- Partnering Roadmap
- High-volume Physicians
- GPO/Pharmacy Affiliations
- Overview and Recent News
- 340B Hospitals
- Clinical Trials
- Market Share/Competition
- Contact Information
- Executive and KOL Bios
- Affiliations

...AND COME BACK WITH THIS:

- **Likely Buyers** - Identify which providers already want your products.
- **Provider pain points**, so your team knows what angle will resonate
- **Easy-to-read charts** and graphs---along with pre-digested analytics and overall trend tracking.



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