Value-Based Contracting in Pharmaceuticals
January 2019 Update
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

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

According to MedScape, 36.5% of doctors in the U.S. refuse to see sales reps.

Within IDNs, "no access" physicians increase to over 50%.

Darwin Research interviews providers to find out what they really need.

Trust and understanding open doors. Use our profiles to double your market access.
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<td>2018</td>
<td>Congenital amaurosis</td>
<td>Luxturna (voretigene neparvovec)</td>
<td>Spark Therapeutics</td>
<td>Harvard Pilgrim</td>
<td>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</td>
</tr>
<tr>
<td>2017</td>
<td>Cardiovascular, Diabetes</td>
<td>Brilinta (ticagrelor), Bydureon (exenatide extended release)</td>
<td>AstraZeneca</td>
<td>Harvard Pilgrim</td>
<td>Brilinta: measuring the reduction in hospitalizations against competitors; Bydureon: adherence to HbA1c levels. In both cases, payments tied to outcomes.</td>
</tr>
<tr>
<td>2017</td>
<td>Cholesterol</td>
<td>Repatha (evolocumab)</td>
<td>Amgen</td>
<td>Harvard Pilgrim</td>
<td>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</td>
</tr>
<tr>
<td>2017</td>
<td>Osteoporosis</td>
<td>Forteo (teriparatide)</td>
<td>Eli Lilly</td>
<td>Harvard Pilgrim</td>
<td>Rewards improvement in adherence compared to baseline; if meaningful improvements are found, Lilly reduces the cost of the drug for HP</td>
</tr>
<tr>
<td>2016</td>
<td>Severe immuno-deficiency</td>
<td>Strimvelis (gene therapy)</td>
<td>GSK</td>
<td>E.U.</td>
<td>Money-back guarantee for gene therapy to cure rare “bubble boy” disease; priced at 594,000 euros ($665,000)</td>
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<td>2016</td>
<td>Heart failure</td>
<td><strong>Entresto</strong> (sacubitril/valsartan)</td>
<td>Novartis</td>
<td><strong>Cigna, Aetna, Harvard Pilgrim</strong></td>
<td>Pay-for-performance tied to hospitalizations and re-hospitalizations for their heart failure population</td>
</tr>
<tr>
<td>2015</td>
<td>Cholesterol</td>
<td><strong>Repatha</strong> (evolocumab)</td>
<td>Amgen</td>
<td>Harvard Pilgrim</td>
<td>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</td>
</tr>
<tr>
<td>2014</td>
<td>Cholesterol</td>
<td><strong>Crestor</strong></td>
<td>AstraZeneca</td>
<td>Cigna</td>
<td>Contract uses predictive risk modeling to assess a patient’s overall health condition to administer the appropriate cholesterol-lowering medication</td>
</tr>
<tr>
<td>2011</td>
<td>Multiple Sclerosis</td>
<td><strong>Rebif</strong> (interferon beta-1a)</td>
<td>EMD Serono</td>
<td><strong>Cigna, Prime Therapeutics</strong></td>
<td>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.</td>
</tr>
<tr>
<td>2009</td>
<td>Osteoporosis</td>
<td><strong>Actonel</strong> (risedronate)</td>
<td>Procter &amp; Gamble, Sanofi-Aventis</td>
<td>Health Alliance</td>
<td>The Alliance for Better Bone Health (P&amp;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</td>
</tr>
<tr>
<td>2009</td>
<td>Diabetes</td>
<td><strong>Januvia</strong> (sitagliptin) and <strong>Janumet</strong> (sitagliptin/metformin)</td>
<td>Merck</td>
<td>Cigna, Aetna</td>
<td>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</td>
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In addition to providing tailored solutions, we have ongoing research and deep-dive organization profiles within:

- Integrated Health Systems
- Cancer Centers
- Physician Groups
- Accountable Care Organizations
- Behavioral Health Care

We compile the best data, tailored to market access executives for easier, stronger strategic decisions.

We also empower field-based executives with the knowledge to grow their business.

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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.

LET'S TALK.
Schedule a 10-15 minute call HERE to discuss how we can help your team.
**IDN Market Study Project Overview**

**Use our rich network of influential leaders to kick-start relationships you’ve always wanted.**

**FRESH, ACCURATE DATA**
- Personal interviews with clinical and management executives from every IDN.
- CMS, U.S. Census, and our own proprietary databases.

**PROJECT DELIVERABLES:**
- Management report with key findings, market trends, partner identification, and IDN profile executive summaries
- 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.

**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

**CALL TO GET STARTED:**
Schedule a 10-15 minute call [HERE](#)
Give your team the power to nail every sales call.

FRESH, ACCURATE DATA
- 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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