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Funding Transformative Therapies

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SVP Pharmacy, UPMC Health Plan

Unprecedented Pharmaceutical Industry Complexity

IMPACTING ALL STAKEHOLDERS

Transformative Drug Science

Digital Health Impact

Affordability | Access | Transparency

Industry Consolidation

Drug Pricing

$$$

Value Evolution

Regulatory Environment

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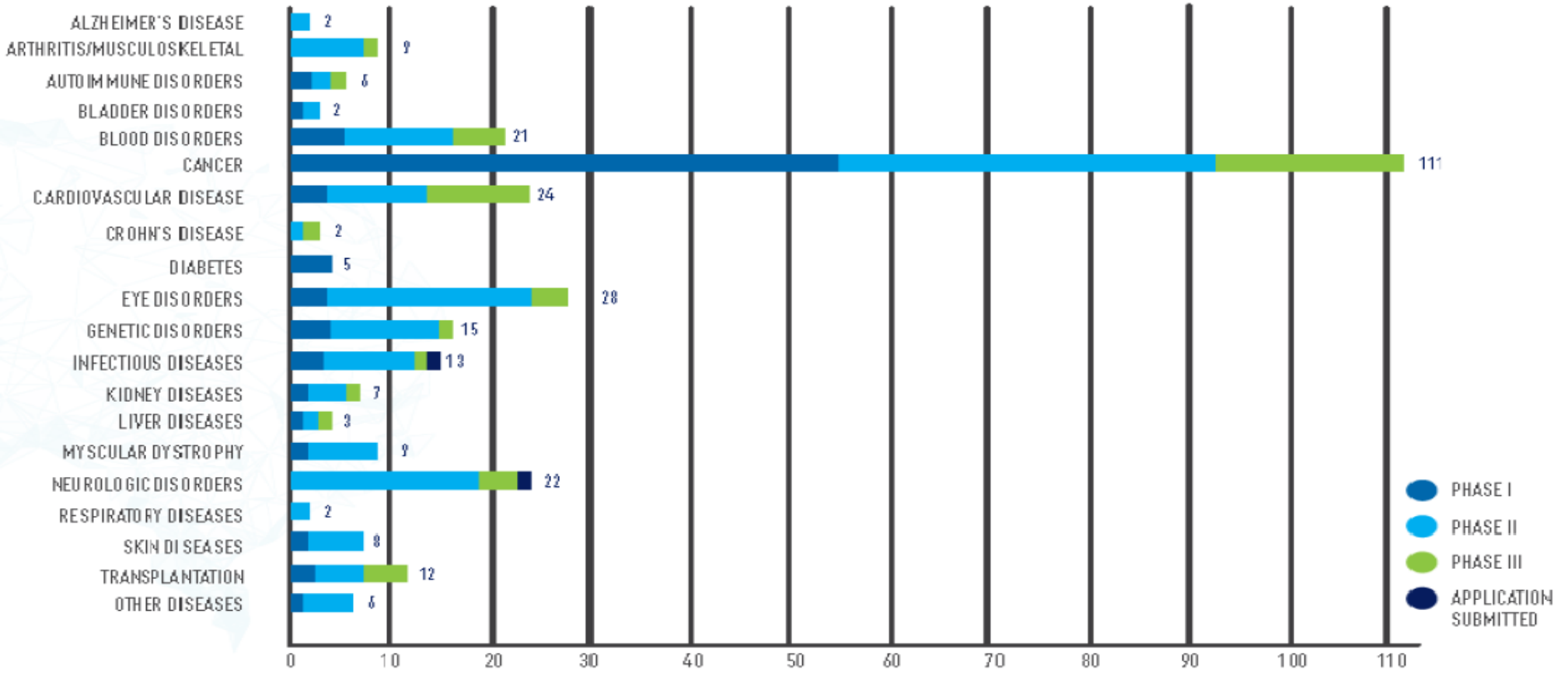
Robust Drug Pipelines

Medicines in Development by Disease and Phase



Source: Medicines in Development, 2018 Report, Americas Biopharmaceutical Companies

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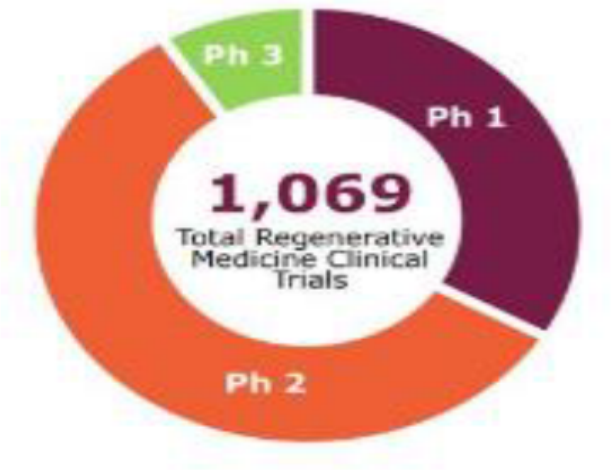
Disproportionate Share Of Transformative Therapies

Robust Drug Pipelines

Clinical Trials by Phase and Technology Type

Regenerative Medicine Clinical Trials by Phase and Technology Type



Phase 1: 358
across all tech types and indications

- Gene Therapy: 117
- Gene-Modified Cell Therapy:
- Cell Therapy: 49
- Tissue Engineering: 5

Phase 2: 617
across all tech types and indications

- Gene Therapy: 219
- Gene-Modified Cell Therapy:
- Cell Therapy: 168
- Tissue Engineering: 23

Phase 3: 94
across all tech types and indications

- Gene Therapy: 30
- Gene-Modified Cell Therapy:
- Cell Therapy: 32
- Tissue Engineering: 16

Source: BioProcess International: In the Pipeline: Surge of cell and gene therapies likely in 2020: September 30, 2019

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Payor Considerations For Funding Innovation

Manage Price

Ensure that patient outcomes are commensurate with the price paid for therapy

83% consider it very beneficial **to only pay for therapy that works***

Manage Cost

Ensure high quality delivery of care, while minimizing mark-ups through the delivery system

64% consider Centers of Excellence Networks are part of their management strategy*

Manage Volatility

Manage the volatility of ultra-high cost therapies on plan economics

47% consider it very beneficial to **smooth payments over time***

Survey Results: Payer perspectives on financing and reimbursement of one-time high-cost durable treatments. New Drug Development Paradigms Initiative/MIT website. https://newdigs.mit.edu/sites/default/files/MIT%20FoCUS%20Payer%20Perspectives%202019F210v044.pdf. Published October 2019. Accessed July 2020.

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New Capabilities Will Be Needed

	Issues to be addressed	Tools/Solution that are Needed
Manage Cost	• Ensure appropriate patients are treated • Minimize Mark-ups through supply chain • Ensure high-quality care… minimize adverse events and maximizing positive outcomes	• Uniform Coverage Criteria / Utilization Management Process • Centers of Excellence Networks • Negotiated contracts with Providers
Manage Volatility	• Payers: Understand Risk Exposure, Engage appropriate Excess Risk strategies to smooth volatility • Excess Risk-Takers: Price risk, manage adverse selection	• Risk Exposure Analytics, Predictive Models • Pricing & Underwriting Tools • Sizable Risk Pools
Manage Price	• Variation in endurance of treatment • Variation in clinical response to treatment • Differing value based by timing of treatment • Adverse events or unforeseen costs of treatment	• Therapy Valuation Tools • Outcomes-Tracking Capabilities

Survey Results: Payer perspectives on financing and reimbursement of one-time high-cost durable treatments. New Drug Development Paradigms Initiative/MIT website. https://newdigs.mit.edu/sites/default/files/MIT%20FoCUS%20Payer%20Perspectives%202019F210v044.pdf. Published October 2019. Accessed July 2020.

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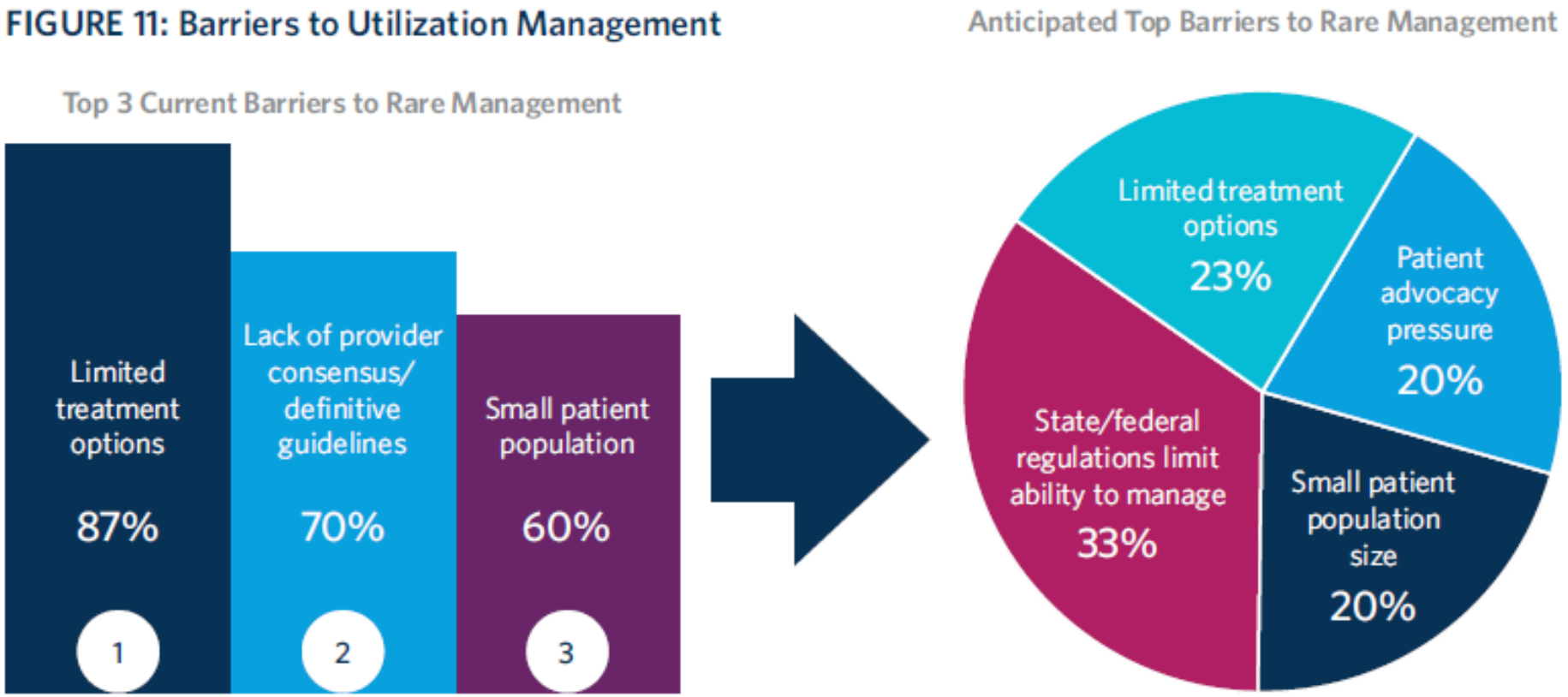
Payor Management Options Are Limited

FIGURE 11: Barriers to Utilization Management



Alnylam Rare Disease Trend Report 2020

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Payment Reform for Curative Therapies

Site of Care

- Unintended consequences to cost structure
- Can Cancer be Included?

Alternative Payment Models

- Are the needed?
- Can you operationalize?

Value Based Construct

- Warranty contracts to balance limited data
- Regulatory barriers
- Paying for Value

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Recent Market Examples

Risk Pools

Embarc Program for Self-funded employers.

- Collects $0.99 PMPM fee to purchase and provision therapies; Zolgensma & Luxturna

PreserveRx: Reinsurance product for BCBS FI lives

- Collects PMPM fee to cover portion of therapy cost : $250K deductible; capped at WAC

Carve-out risk pool / stop loss

- Self-Insured employers without stop-loss
- Covers costs above a deductible

Management Services

Pipeline analytics, Policy & Coverage guidance, Utilization Management, Provider Contracting, Claims Administration

- Co-promotion with Tokio Marine/HCC to stop-loss carriers & reinsurers
- Step-down deductible program

Outcomes-Based Programs

Performance-Based Rebates

- Designated "clinical failure" criteria tracked over defined timeframe (5 years)
- Manufacturer agrees to rebate a % of therapy price to payer per patient that that meets "failure" criteria
- 3rd party used to track patient outcomes (paid for by manufacturer)

Warranty Programs

- Defined "clinical failure" criteria
- Ongoing conventional treatment paid by manufacturer for a defined period for patients who meet failure criteria
- Burden on the payer to demonstrate patient meets "clinical failure" criteria

Can We Capture The Biosimilar Opportunity?

Brand Exposure to Loss of Exclusivity by Expiry Year and Projected Losses by Year of Impact

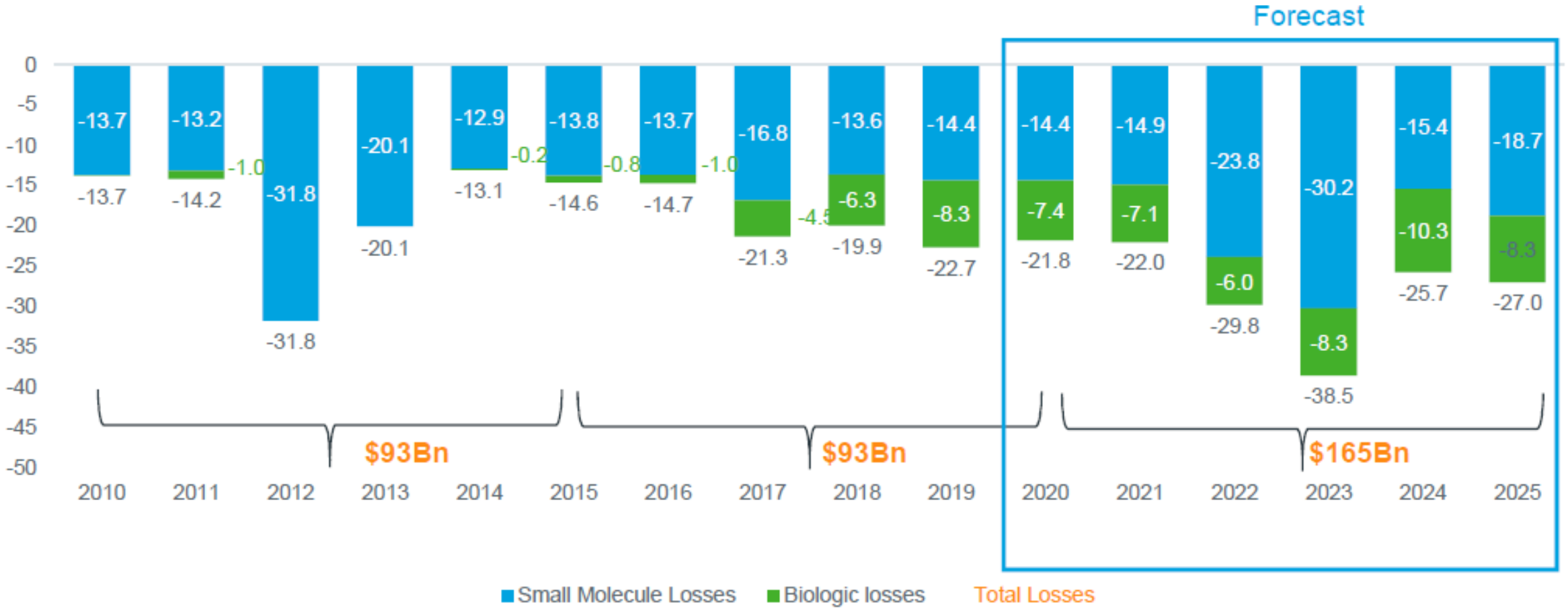

Figure reproduced from: IQVIA Institute. 2019-2020 Pharmaceutical Marketplace Trends. Presented April 2020.

IQVIA Institute. Global Medicine Spending and Usage Trends: Outlook to 2024. https://www.iqvia.com/-/media/iqvia/pdfs/institute-reports/global-medicine-spending-and-usage-trends.pdf?_=1601386842878. Published March 2020.

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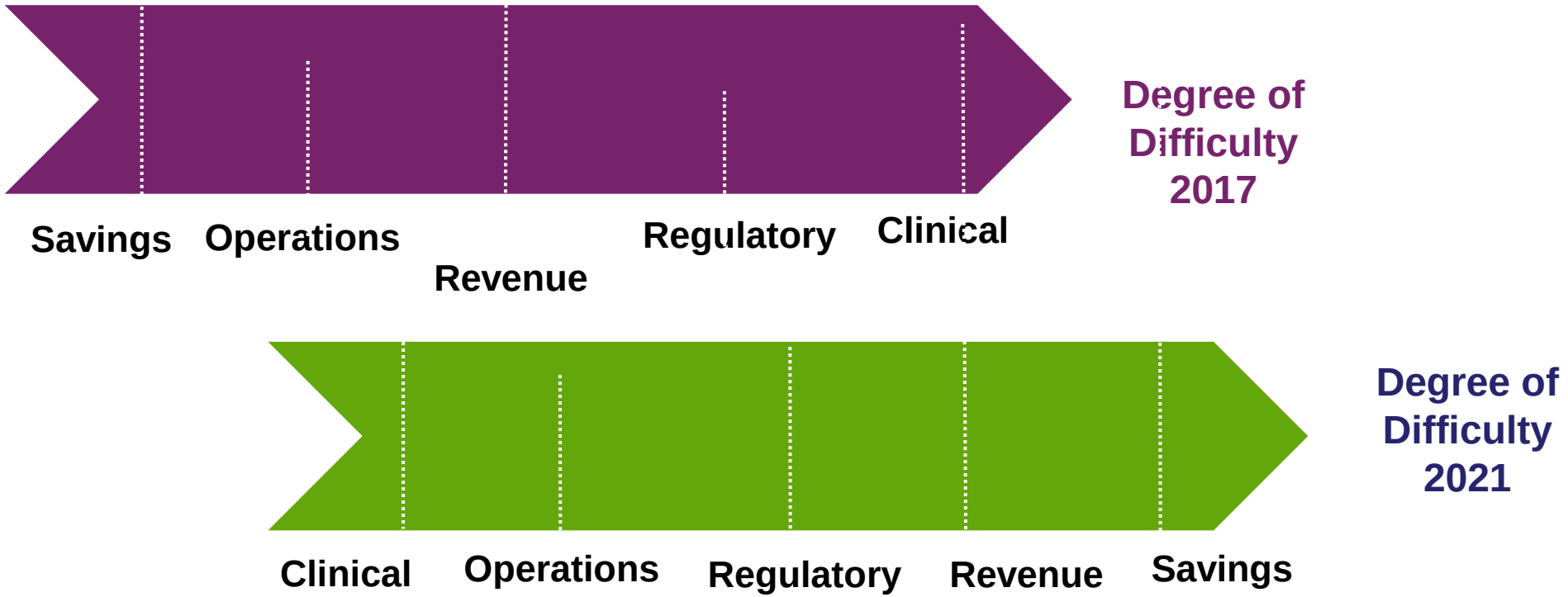
Biosimilar Complexity

HOW HAVE BIOSIMILARS EVOLVED



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UPMC Insurance Services Division

Summary

- Funding innovation is an emerging challenge for payors
- Complexity of therapy, high cost and patient migration to other plans necessitate alternative payment models
- Strategies include:
  - Outcomes based contracts (warranty)
  - Risk pooling
  - Financing
- New types of administrators are likely to emerge

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Questions

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