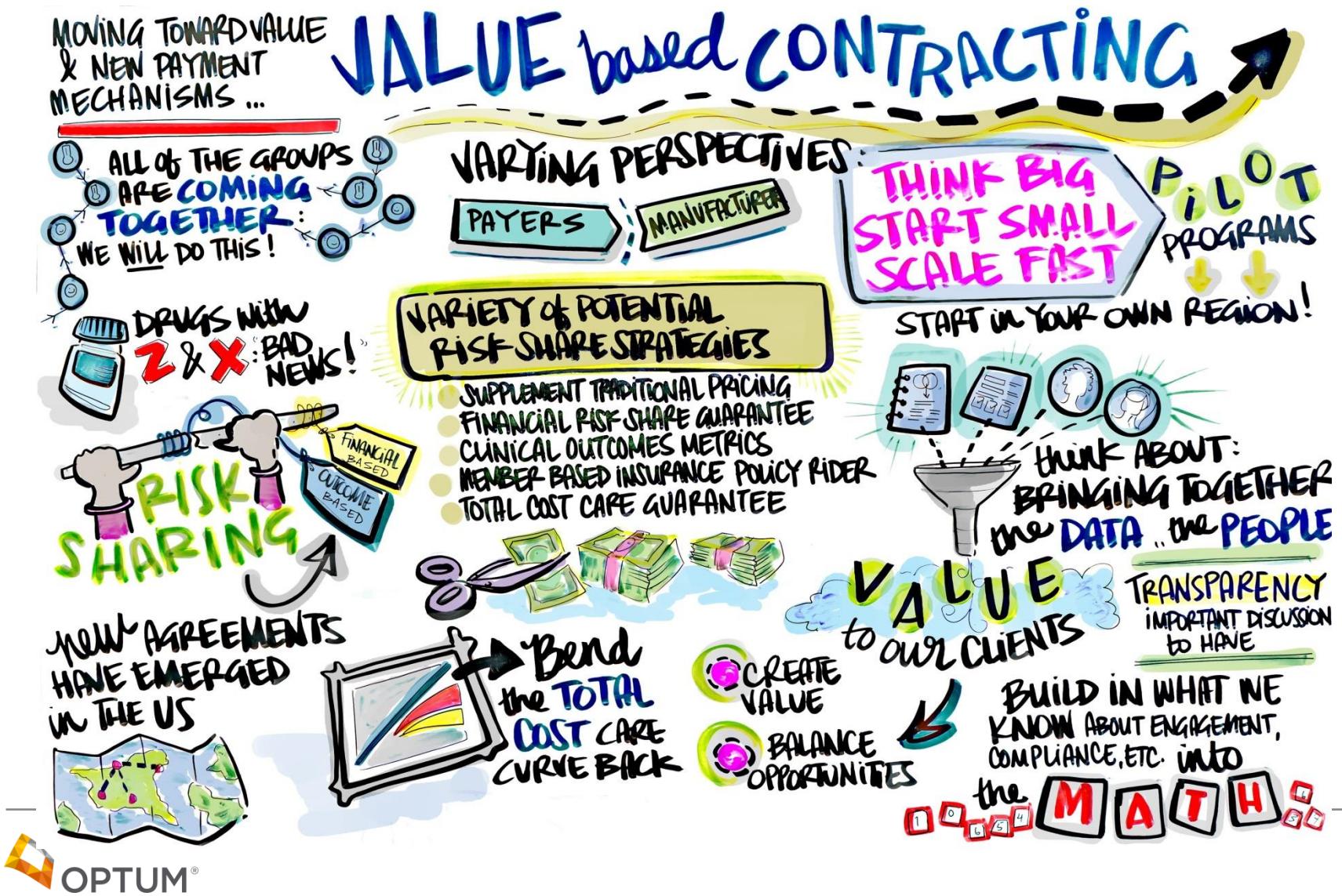




# Value-based Contracting for Pharmaceuticals and Device Manufacturers: Driving Value and Quality of Care

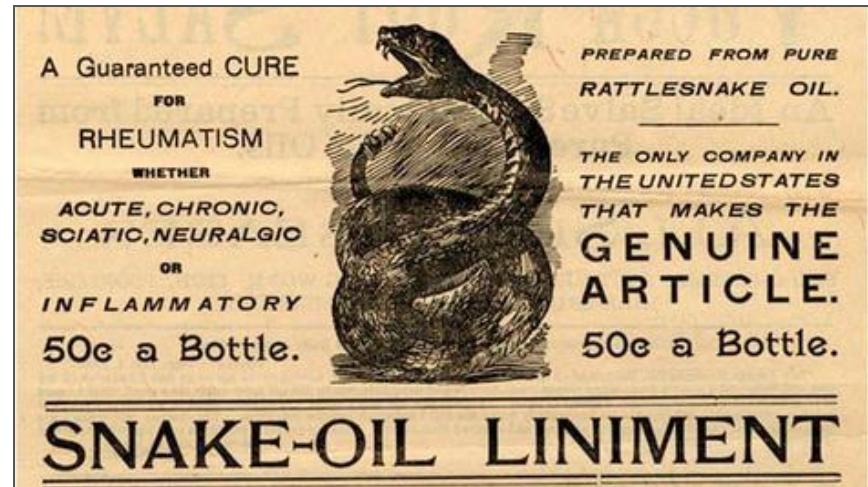
**Brian K. Solow, MD**  
Chief Medical Officer, Optum Life Sciences

# It's Straight Forward



# Money Back Guarantees

Money back guarantees have been in place since before the drugs actually worked



# So What are Risk Sharing Agreements?

Risk sharing agreements are a way for payers to reduce risk through financial or outcomes-based schemes

## Financial-Based Schemes

- Focused on the financial arrangements between the manufacturer and purchaser; not tied to specific performance metrics
- Includes traditional rebates/discounts, price-volume agreements, quantity limits and treatment initiation

## Outcomes-Based Schemes

- Schemes tied to specific performance metrics such as biomarkers, clinical outcomes, or other metrics (e.g., hospitalizations)
- Includes coverage with evidence development and “guarantee” type schemes

- Outcomes-based agreements are becoming an increasingly popular topic of discussion as the US health system moves to a pay for performance model
- However, a 2015 study found **only 12%** of global risk sharing agreements were in the US, what is holding the US back?

Source: “Private Sector RSAs in the United States”, September 2015 issue of American Journal of Managed Care, Vols. 21, No. 9

# Potential Barriers to Risk Share Agreements in the United States

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**There are far less risk share agreements between pharmaceutical manufacturers and payers/PBMs in the US for a variety of complex reasons:**

1. Significant additional effort required to establish / execute RSAs (e.g. compared to traditional rebates / discounts)
2. Challenges in identifying / defining meaningful outcomes
3. Challenges in measuring relevant real-world outcomes
4. Data infrastructure inadequate for measuring / monitoring relevant outcomes
5. Difficulty in reaching contractual agreement (e.g. on the selection of outcomes, patients, data collection methods)
6. Implications for federal best price (Medicaid)
7. Payer concerns about adverse patient selection
8. Fragmented multi-payer insurance market with significant switching among plans
9. Challenges in assessing risk upfront due to uncertainties in real-world performance
10. Lack of control over product use
11. Significant resource and / or costs associated with ongoing adjudication

Source: "Private Sector RSAs in the United States", September 2015 issue of American Journal of Managed Care, Vols. 21, No. 9

# Value-Based Care: Impact on Pharma

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The transition to value based care will force life sciences companies to redefine how they define and deliver value to the market

## FROM: VOLUME

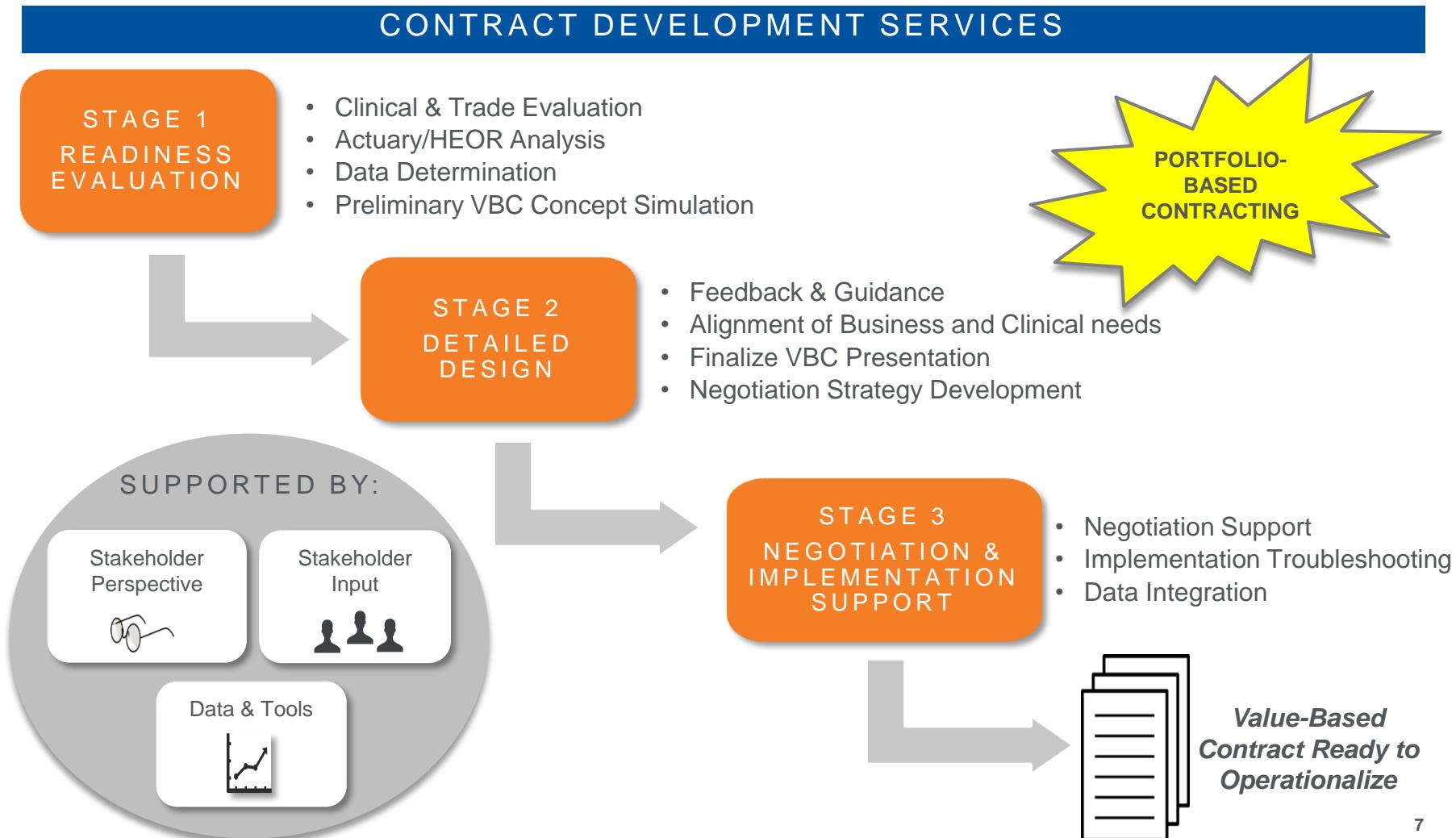
- **Randomized clinical trial-driven value**  
- *Placebo controlled, narrow populations*
- **Pay per transaction / script**  
- *Volume / rebate contracts*
- **Limited direct patient engagement**  
- *Narrow, brand focused programs*
- **Volume based Marketing and Sales**  
- *Resources allocated to maximize prescriptions*

## TO: VALUE

- **Real World Evidence driven value**  
- *Head to head outcomes in real-world population*
- **Pay per outcome**  
- *Value-based contracts*
- **Role in driving outcomes for the "system"**  
- *Partnerships to engage large populations*
- **Outcomes focused Marketing and Sales**  
- *Resources allocated to maximize outcomes achieved*

# APPROACH

Optum Life Sciences offers an end to end contract development service from Readiness Evaluation through Implementation



# VBC Differentiation Through Optum

OOPtum Life Sciences collaborates across all entities to obtain effective and executable VBC and maximize benefits.

## BENEFITS

- Public relations
- Financial sustainability
- Real-world evidence generation
- Maintain / improve access
- Grow market share
- Competitive differentiation
- Vetted VBC strategy
- Reduced VBC development time

## Manufacturers

Exhibits a willingness and desire to share in financial risk with payers to substantiate product outcomes

## Payer

Exhibits a willingness and desire to share in financial risk to limit exposure but reward innovation to manufacturers

## Optum Life Sciences

Thought leaders and providers of best-in-class advisory and data services - aware of the shifting contracting needs of manufacturers and payers

## PBM

Must meet the changing demands of its clients by managing increasing pharmacy risk with manufacturers



*Value-Based Contract Ready to Operationalize*

# VBC and UHC

## Medical Benefit

**40%**

*of spend covered by  
value-based contracts*

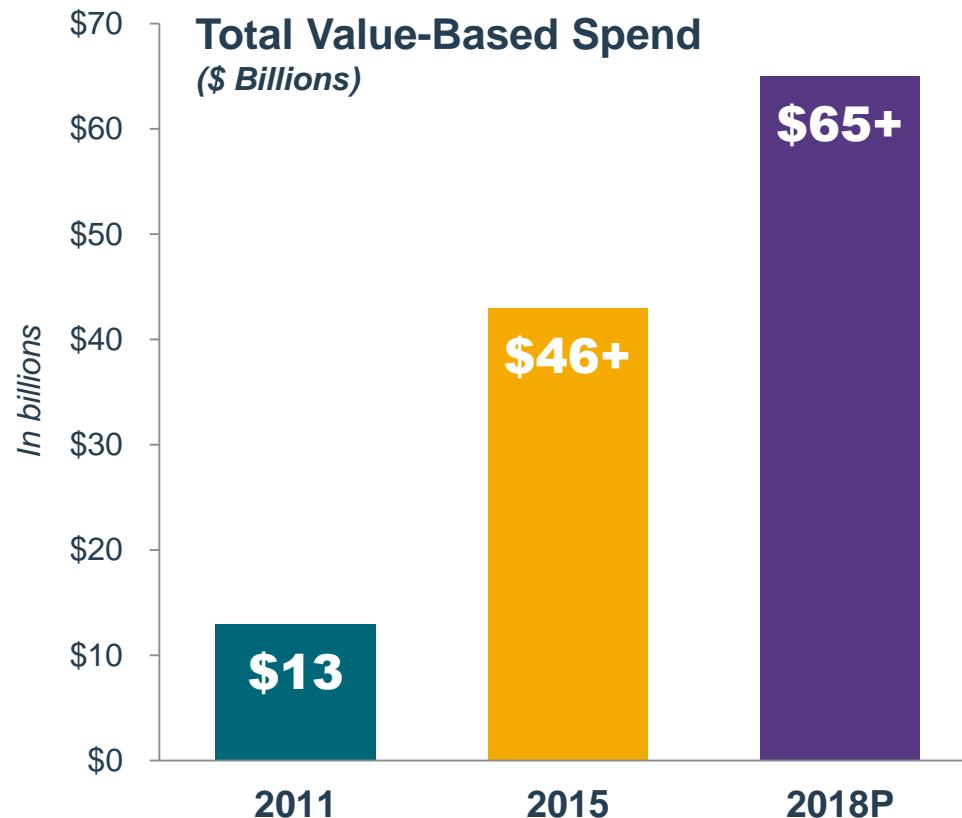
**14M**

*members impacted by  
value-based programs*

**1%-6%**

*lower medical cost across a range  
of Value-Based Care Programs*

### Value-Based Contracting Growth



All figures are reflective of all lines of business and programs in aggregate.

