Industry Collaboration & Integrated Care Approaches to Achieve Value

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OptiMed Health Partners
OptiMed Health Partners
The parable of the monkey’s fist
Objectives

- Stimulate Thought
- Generate Discussion
- Raise Questions
- Promote Collaboration
- Drive Innovation
Outline

Healthcare Market Trends

Building Transparent Relationships

Value-Based Contracting Strategies
Audience Poll: Who is here?

- PBM
- Health Plan
- Employer
- Pharmacy
- Manufacturer
- Other?
“I would like to apologize to anyone I have not offended yet. Please be patient. I will get to you shortly.”

- Anonymous
Healthcare Market Trends
Current Healthcare Trends

- Aging US population
- Political instability (unknown impact on ACA)
- Escalating healthcare costs
  - Medications
  - Convenient care and behavioral health
- Telehealth and other technological advancements
- Shift toward value-based payment models
- Increased focus on patient-centric care
Specialty Market Trends

Prescription costs accounted for 17% of the total cost of healthcare in 2016.¹

In 2016 specialty pharmaceuticals accounted for >30% of the total drug spend.²

55% of specialty drug spending is through the pharmacy benefit with 45% through the medical benefit.³

35% of health plans identify determining the value of specialty drugs to be their top challenge.³

¹ 2016 Milliman Medical Index; 2) ESI 2016 Drug Trend Report; 3) EMD Serono Specialty Digest 13th Edition
Site of care program use has increased from 26% of plans in 2013 to 48% of plans in 2016.  
- These programs were generally rated as very successful.

Only 16% of health plans utilize outcomes-based contracting strategies with manufacturers.  
- Inflammatory conditions most likely to be targeted in the near future.

Pharmacy versus medical benefit coverage for injectable specialty medications varies widely among different therapy classes.
Looking Across the Continuum

<table>
<thead>
<tr>
<th>MEDICAL DEVICES</th>
<th>PHARMA MANUFACTURER</th>
<th>PROVIDER</th>
<th>PHARMACY</th>
<th>DIAGNOSTICS</th>
<th>PBM</th>
<th>MEDICAL CLAIMS</th>
<th>PHARMACY CLAIMS</th>
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</thead>
</table>

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What is our goal?

THIS is the focus:
“What if we could rewrite the rulebook?”

• Given current healthcare trends...
  • How would you create partnerships?
  • How would you design benefits differently?
  • How would you rewrite the healthcare rulebook?
Building Transparent Partnerships
How do you define transparency?

Google “definition of transparent”

Transparent (trans’perənt)

- Allowing light to pass through so that objects behind can be easily seen.
- Easy to perceive or detect.
- Having thoughts, feelings, or motives that are easily perceived.
How does the PBM industry define transparency?

• At present, the PBM industry is most likely transparent.
  • All terms are defined in contract.

• **Understanding** of contract terms is what is lacking.
  • All parties need to understand contract terms.
  • How do contract terms translate into income for the PBM?
  • Examples:
    • 9 versus 11 digit NDC
    • What is the definition of “AWP-minus” and how often is it updated?

• PBMs are essential to the healthcare industry...
  • BUT what is the value of various PBM services versus how compensation is provided and where it is coming from?
How do you build a transparent partnership?

- Need transparency (well-defined terms to all parties)
- Need the other “T” word: Trust (clear understanding of terms)
Are rebates driving cost-effective care?

- Rebates work best in the fee-for-service mindset.

- How does that translate into a value-based care model?

  Rebates

  - Increased utilization
  - Increased reimbursement
Are rebates driving cost-effective care?

• Everyone is playing the “blame game”

• Could elimination of rebates level the playing field?

• Without rebates would the BEST treatment be utilized because it provides the best value?
What if the members owned the PBM?

• How would they define the PBM?
• How would they create the cost structure?
• How would they establish the network?

• May be the only real way to guarantee real transparency
Innovative Value-Based Contracting Strategies
Do you feel that finding value is like a shell game?

You cannot define value without transparency.
How do you define value?

Google “definition of value”

value (val·ue)

The regard that something is held to deserve.

The importance, worth, or usefulness of something.

Estimation of the monetary worth of something.
How does the healthcare industry define “value”?

• Challenges:
  • Difficult to identify and define the right outcomes
  • Difficult to assign associated “savings” to outcomes
  • Member churn

• All stakeholders must understand the true cost
  • Patients/members rarely, if ever, know the real cost of the medications received or paid on their behalf; so how can they judge value?

• The move to value-based contracts
How “good” are current value-based contracts?

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Include partnerships between payers and manufacturers</td>
<td>• Do not include all channel partners</td>
</tr>
<tr>
<td>• Require reporting of performance metrics</td>
<td>• Most metrics based on product distribution, not outcomes</td>
</tr>
<tr>
<td></td>
<td>• Mostly punitive in nature</td>
</tr>
</tbody>
</table>

All healthcare partners must be included and have their objectives aligned for a successful value-based reimbursement model.
How do you identify the “right” metrics to demonstrate value?

• Monetary benefits versus health benefits

• Need to communicate across “swim lanes” to look for what is contributing to outcomes
  • Include both pharmacy and medical benefits

• Need to allow enough time for value to be demonstrated
  • 12 month financial cycle is not long enough to demonstrate health outcomes
How would you construct innovative, value-based contracting partnerships?

- Fee-for-service (FFS) for simple services
  - e.g. basic fulfillment, distribution of product, etc.
- Payment share for the savings created from value-added services.
- Adopt a 360° approach for managing high-risk/high-cost patients.
- Move from disease treatment to disease prevention.
What does the ideal PBM partnership look like?

- Simple, truly transparent contract with open financials
- Aligned with clients’ objectives
- Informs members of medication cost
- Manages ALL medications (medical and pharmacy spend)
- Drug formulary that is value driven not cost-containment driven
- Targeted interventions for disengaged patients
- Value-based pharmacy network with shared goals
360° Partnership

Health Plan + ASCEND PBM

Candidate for targeted intervention
- High cost
- High utilization of healthcare resources
- High risk diagnosis

OptiMize™

Medication & Lifestyle Interventions

Patient Engagement and Education

Adherence Optimization

Diagnostic & Therapeutic Optimization

Outpatient Monitoring & Provider Communication

Per member per month service +
Paid percentage of savings
Optimize 360°

- Medication & Lifestyle Interventions
- Adherence Optimization
- Outpatient Monitoring & Provider Communication
- Patient Engagement and Education
- Diagnostic & Therapeutic Optimization
Optimize 360°

Patient Education & Engagement

Medication & Lifestyle Interventions

Adherence Optimization

Diagnostic & Therapeutic Optimization

Outpatient Monitoring & Provider Communication

OptiMize™

360
Engagement and Education App
AIRWAYS are the tubes that carry air in and out of the lungs.

In asthma, these airways may CONSTRICT, or become smaller, obstructing the flow of air. Asthma can affect children and adults.

Medications can be used to relax the muscles in the airways and decrease the constriction.

Other things that may be done to decrease asthma triggers include:

(a) controlling pet dander,
(b) take cover in cold weather and cover your nose and mouth with a scarf on really cold days,
(c) avoid feathers in pillows and quilts (use man-made fibers),
(d) eliminate mites and cockroaches.

Spirometry (spi-ROM-eh-tree) is a type of study that is used to measure how well the lungs are functioning.

It measures both the amount of air that flows in and out of the lungs and the speed of this air flow.
AirDuo™ Respliclick® comes in three different dosages and is to be administered as one inhalation twice daily.

AirDuo contains both an ICS (Inhaled CorticoSteroid) and a long-acting beta₂-adrenergic agonist (LABA).

On the back of the inhaler, there is a DOSE COUNTER, that indicates the number of dosages left in a viewing window.

When the device is empty, 0 dosages will be indicated in RED.

Advair should only be used if your healthcare provider decides that your asthma is not well controlled with a long-term medication used to treat asthma as a first line therapy such as an INHALED CORTICOSTEROID.

Advair contains both an ICS (Inhaled CorticoSteroid) and a long-acting beta₂-adrenergic agonist (LABA).
Optimize 360°

- Medication & Lifestyle Interventions
- Patient Engagement and Education
- Adherence Optimization
- Diagnostic & Therapeutic Optimization
- Outpatient Monitoring & Provider Communication
- OptiMize™
Optimize 360°

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Per member per month service + Paid percentage of savings
What type of savings can be obtained?

<table>
<thead>
<tr>
<th></th>
<th>Total Crohn’s Payments</th>
<th>Average Per Patient Payment</th>
<th>Inpatient Payments</th>
<th>Emergency Room Payments</th>
<th>Infusible Biologics</th>
<th>Injectable Biologics</th>
<th>Total Biologics</th>
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</thead>
<tbody>
<tr>
<td>Pre-Period</td>
<td>$2,118,308.65</td>
<td>$13,936.24</td>
<td>$210,967.47</td>
<td>$52,363.19</td>
<td>$892,443.30</td>
<td>$560,980.84</td>
<td>$1,453,424.14</td>
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<tr>
<td>Study Period</td>
<td>$1,884,758.63</td>
<td>$12,399.73</td>
<td>$90,410.85</td>
<td>$24,465.00</td>
<td>$972,485.87</td>
<td>$423,561.72</td>
<td>$1,396,047.59</td>
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<tr>
<td>Difference</td>
<td>($233,550.02)</td>
<td>($1,536.51)</td>
<td>($120,556.62)</td>
<td>($27,898.19)</td>
<td>($80,042.57)</td>
<td>($137,419.12)</td>
<td>($57,376.55)</td>
</tr>
<tr>
<td>Percent Difference</td>
<td>-11.03%</td>
<td>-11.03%</td>
<td>-57.14%</td>
<td>-53.28%</td>
<td>8.97%</td>
<td>-24.50%</td>
<td>-3.95%</td>
</tr>
</tbody>
</table>

Conclusion

Industry-wide collaboration is a MUST in order to achieve cost-effective healthcare that is outcomes driven.

The current cost projections are not sustainable.

We cannot drive new innovations if we do not let go of old ideas.
The monkey is trapped, but not by anything physical. He’s trapped by an idea, unable to see that a principle that once served him well – “when you see rice, hold on tight!” – has become lethal... **The difficulty lies not in the new ideas, but in escaping from the old ones.**

- John Maynard Keynes
Thank you.