

blue paper

VALUE-BASED CONTRACTS: WORKING TOGETHER TO IMPROVE PRICING AND ACCOUNTABILITY

Real-world data is the cornerstone of Prime's value-based contracting strategy. Our research with integrated medical and pharmacy data helps us build contracts with drug companies that work to improve the quality of care for members, while also reducing costs.

High-cost specialty drugs now make up 50% of the drug spend. That's still rising. New specialty drugs for orphan conditions often start at several hundred thousand dollars a year.

Value-based contracts are an important way for drug companies to back up the claims they make about their products. The contract helps hold a drug accountable for producing a specific outcome.

Our value-based contracts are designed to demonstrate the value of the selected drug(s) when taken appropriately. The contracts support specific outcome goals like adherence, reduced ER visits, hospitalizations and more. In this way, the contracts work to align payers, employers, members and providers on improving health outcomes.

PRIME HAS VALUE-BASED
CONTRACTS FOR

60% OF THE TOP
SELLING DRUG
CATEGORIES.

**KYMRIAH®**

One-time CAR-T cell therapy
for acute lymphoblastic leukemia
may cost

\$475,000

LUXTURNA®

One-time treatment (per eye)
for congenital blindness may cost

\$850,000

ZOLGENSMA®

One-time gene therapy
for spinal muscular atrophy
may cost

\$2.1 MILLION

Prime delivers on tomorrow's promise of value-based contracts — today

Rising drug prices are a huge problem. High-cost drugs and drug price inflation create tremendous pressure on the health care system. Dozens of new orphan drugs have come on the market in the last few years — all in the six-figure range. And cell and gene therapy treatments start at about \$400,000 and top \$2 million.

Drug cost management strategies can do only so much

Value-based contracts have been in the market for about 10 years, but haven't made much of a ripple due to challenges including:

- Data collection and analysis
- Lack of agreement on outcomes measures
- Ongoing claims analysis issues (from all of the recent marketplace mergers)¹

Manufacturers line up to develop value-based contracts with us

Why? Because we're different. We've got distinctive skills. Forward-looking value-based contracts are something unique we bring to our Blue Plan owner clients.

Our business model and our relationship with our Blue Plan owner clients means we are experts at analyzing integrated medical and pharmacy data. That's a useful and unique capability among PBMs. We've been working with integrated data for more than 20 years.

Data collection and analysis. ✓ CHECK

Drug manufacturers like working with Prime. Through us, they can reach all 19 of Prime's Blue Plan owner clients. Prime centralizes this capability for our Blue Plans — 19 plans, one contract. We learn from each new contract and strive to make new information actionable.

Agreement on outcomes measures. ✓ CHECK

Prime was created by — and for — health care plans; we have health plan DNA. We can read medical claims data as well as we read pharmacy claims data. Prime weaves the medical and pharmacy threads together into a total cost-of-care story that our Blue Plan clients have come to depend on. Manufacturers can't do that on their own. Our research reveals previously unseen correlations between medical and pharmacy drug utilization and hospitalizations, emergency room visits and drug condition-specific outcome measures. **Claims analysis.** ✓ CHECK



**PRIME CONDUCTS
ITS DATA ANALYSIS
IN-HOUSE, SO MEMBER
PRIVACY IS PROTECTED.**

Prime works hard to make sure our value-based contracts are good for our health plan clients

We create tremendous value for our clients by focusing value-based contracts in the top-spend drug categories.

- Multiple sclerosis
- Asthma
- Diabetes
- Autoimmune
- Oncology (oral)

These value-based contracts help Prime’s Blue Plan clients be more competitive in their markets. As plans save money from the value gained through these arrangements, they either pass the savings on to patients or use it to provide more services. (That’s not just a good idea, it’s required by law.)²

Prime works hard to make sure our value-based contracts are good for members

Yes, the value of value-based contracts resides in the contract terms—but also in the associated learnings and results. Every successful contract gives us insights that help us refine the next one. And value-based contracts give us information that’s used to enhance clinical programs and improve member health outcomes.

We protect member privacy. There’s a lot of data. Prime conducts its data analysis in-house, so member privacy is protected. Raw data is not handed off to manufacturers or third parties. Typically, results are provided in aggregate; no individual member data is shared. (Other PBMs may use third-party companies for data analysis.)

FDA-APPROVED DRUGS COMPARED TO THE NUMBER OF ORPHAN DRUGS^{3,4,5}

YEAR	2018	2019	2020
Total new novel drugs approved by FDA	59	48	53
Number of those new drugs designated orphan drugs	34	21	25



By 2025, the FDA will be approving 10 to 20 cell and gene therapy products a year.⁶

ESTIMATES SUGGEST THOSE PRODUCTS WILL COST FROM \$250,000 TO \$4 MILLION A YEAR PER PATIENT.

Value-based contracting – getting back to basics

What’s the value in value-based contracts? It’s not just about pushing data and dollars back and forth between a drug manufacturer and a pharmacy benefit manager. A good value-based contract is simple, measurable, reliable and provides value.

There are three broad categories of value-based contracts:



**DURATION OF USE, ADHERENCE:
VALUE IF PATIENT STOPS TAKING THERAPY**



**CLINICAL OUTCOMES:
VALUE IF CLINICAL OUTCOMES ARE NOT MET
OR DISEASE PROGRESSES**



**TOTAL COST OF CARE OR PRICE CAPS:
VALUE IF THE COST OF CARE GOES OVER
CERTAIN THRESHOLDS**

What’s different about a value-based contract for a high-cost drug?

Value-based contracts for ultra high-cost drugs rely on a drug’s price-to-value ratio. Many of the new ultra high-cost drugs are priced too high, based on price-to-value. That’s where value-based contracts for high-cost drugs start—in that price-to-value gap.

We do our own price-to-value modeling. We also study the value framework models from the Institute for Clinical and Economic Review (ICER).^{7,8} And our own research shows which drugs provide the highest value relative to their cost.

When drugs have a price-to-value gap, the value-based contracts rely more on measuring health outcomes, total cost-of-care caps and other financial guarantees.

Prime currently has value-based contracts with drug companies for several ultra high-cost therapies used to manage orphan conditions.





Prime holds several value-based contracts for diabetes

Drugs used to treat diabetes make up a large portion of the overall drug costs for health plan clients. Adherence to diabetes medication is associated with lower hospitalizations and medical costs. Plus, adherence to diabetes medications helps patients prevent more serious, future health issues. And that's our goal. Many of our value-based contracts focus on members with diabetes with comorbid conditions like cardiovascular diseases.⁹

Diabetes medication costs could fall under both the medical and pharmacy benefit. This is why Prime's use of integrated data is critical to all of its value-based contracts.

CASE STUDY Diabetes

MANUFACTURER	Novo Nordisk
DRUG	Victoza® (liraglutide)
CONDITION	Diabetes type 2
RESEARCH	Prime conducted research that shows that half of the medical costs of patients with diabetes come from treating comorbid conditions, like high blood pressure, high cholesterol and cardiovascular disease. Our research shows that heart disease makes up the largest category of costs. ⁹
LABELING	Once-daily noninsulin injection medicine reduces the risk of major cardiovascular events such as heart attack, stroke or death in adults with type 2 diabetes.
CONTRACT	Persistency of use



PRIME HOLDS VALUE-BASED CONTRACTS ACROSS MANY THERAPEUTIC CATEGORIES:

- Multiple sclerosis
- Diabetes
- Migraine
- Rare disease
- Oncology (oral)
- Asthma
- Hemophilia
- Infertility

CASE STUDY **Multiple Sclerosis (MS)**

MANUFACTURER	EMD Serono
DRUG	Mavenclad®
CONDITION	Mavenclad is the first and only FDA-approved treatment for relapsing, remitting MS, and active secondary, progressive MS.
RESEARCH	Prime's MS cost-of-care research shows that most MS costs are from pharmacy spend. Our 2018 real-world study showed patient adherence to MS disease-modifying drugs was associated with a significant decrease in relapses. ¹⁰
LABELING	Mavenclad provides two years of proven efficacy with a maximum of 20 days of oral treatment, over 96 weeks.
CONTRACT	In Prime's value-based contract, EMD Serono provides payment when patients discontinue taking Mavenclad or change to a different disease-modifying drug.
UNIQUE	This contract will track patients for four years. Following a patient that length of time might be unusual. But it's fine with us, because Blue Cross members tend to stay Blue, even if they move from one job to another. And we are set up to follow Blue members with all their data intact. That helps us manage and control costs for specialty medication users with more continuity.



SOLIRIS®

This specialty biologic treats several rare orphan conditions, including:

- Paroxysmal nocturnal hemoglobinuria (PNH)
- Atypical hemolytic uremic syndrome (aHUS)
- Myasthenia gravis

SOLIRIS MAY COST

\$500,000

PER PATIENT PER YEAR.

CASE STUDY

Hereditary Amyloid Transthyretin-mediated Amyloidosis

MANUFACTURER	Alnylam Pharmaceuticals
DRUG	Onpattro® (patisiran), an orphan drug
CONDITION	Hereditary Amyloid Transthyretin-mediated Amyloidosis
RESEARCH	Represents one of the first two innovative drugs developed based on RNA interference (RNAi). It is the result of nearly 20 years of research conducted by Alnylam. ¹¹
LABELING	Taken as an intravenous infusion for the treatment of patients with polyneuropathy caused by the rare condition hATTR amyloidosis, caused by the buildup of amyloid deposits in the body.
CONTRACT	<p>Discontinuation and liver transplant.</p> <p>List price for Onpattro is \$445,000 per patient per year.</p> <p>Onpattro falls under the medical benefit.</p> <p>Performance to contract will need to be assessed against both the medical and pharmacy claims.</p>



LEARN ABOUT OTHER TOOLS PRIME USES TO DRIVE VALUE FOR THE MEMBER, LIKE:

- Insights+
 - GuidedHealth®
 - PreserveRxSM
 - Embedded pharmacists
 - Patient assistance programs
-

FOR MORE INFORMATION, WRITE TO:

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visit www.primetherapeutics.com.

Value-based contracts for ultra high-priced drugs have become both more common — and more sophisticated — every year. Prime is uniquely positioned to work with drug companies to develop this next generation of value-based contracts. These arrangements for high-cost drugs can include things like:

- Capturing outcomes not available through claims
- Tracking members over extended periods of time (and across more than one plan if necessary)
- Ensuring that diagnostic tests are performed and results reported
- Custom and non-traditional reporting
- Specified coverage determinations and reimbursement
- Administering rebates/financial guarantees
- Audit capabilities
- Best-price implications of guarantees

All of these arrangements, and more, can uncover useful information that help payers move toward closing price-to-value gaps. It's consistent with Prime's evidence-based approach to clinical management. All in all, value-based contracts help to make health care work better by helping people get the medicine they need to feel better and live well.

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Drug names are the property of their respective owners.