



PRIVATE PAYER PRODUCT LISTING AGREEMENT SERIES

Report 2: Negotiation-Naïve & Interested in Negotiating a Private Payer PLA

September 2015

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1 Background

Private payers – the community of insurers, Pharmacy Benefit Managers (PBMs) and employers in Canada – are starting to build internal competencies aimed at negotiating product listing agreements (PLAs) with pharmaceutical manufacturers. For the past several years, private payers have raised concerns about increasing drug costs, particularly for specialty products. Negotiating PLAs has been a standard procedure in provincial markets for several years, and private payers have expressed interest in participating in pan-Canadian Pharmaceutical Alliance (pCPA) negotiations. As the importance of access to private drug plans increases for manufacturers, it is imperative that all parties better understand the prevalence, objectives and content of PLAs in this important market segment.

PDCI Market Access (PDCI) and H3 Consulting (H3) believe there is no one response best suited to all organizations. The need for PLAs will be determined by a company's strategy, related tactics, preferences and its capacity to negotiate, measure and determine product value under evolving market conditions.

We hope the survey and accompanying reports stimulate thought on the scope, issues and degree of leverage available to private payers and manufacturers through PLAs. While private capacity is not yet equal to that of the provinces, similar forces are at work in both markets. All payers are, or will soon be, pursuing strategies to achieve two main goals:

- 1) Prices and costs that reflect a negotiated, real-world value of therapies; and
- 2) Measurably better health that can prevent or delay higher system costs, fuel productivity, and improve quality of life.

Manufacturers have similar goals from a different perspective, but are likewise striving to establish and improve product value for both payers and patients.

2 Objective

PDCI and H3 conducted this analysis to gauge the interest, expectations, and experience among pharmaceutical stakeholders in Canada associated with negotiating private payer PLAs.

3 Methodology

PDCI and H3 created an on-line survey to obtain the perspectives of brand pharmaceutical manufacturers, private insurers, and PBMs on PLAs. Our contact list included senior market access or product specialists and payer representatives. Participants responded between June 29, 2015 and July 17, 2015. Once closed, survey responses were analyzed and four summary reports are to be released over the next few weeks.

Anonymity was preserved as proprietary information was not required for survey completion and participants did not need to identify themselves in order to submit a response. In total, 27

individuals responded to the survey:

- 19 manufacturers; and
- 8 private payers, both insurers and PBMs.

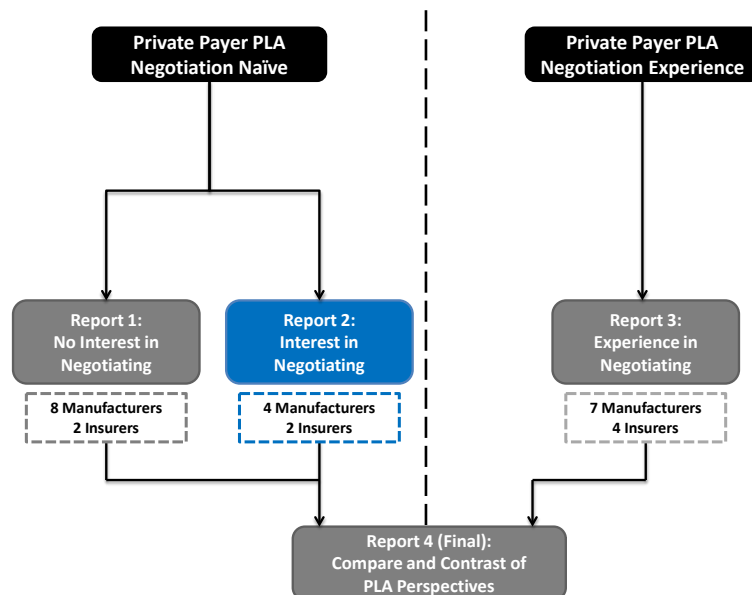
The survey consisted of questions to measure stakeholder's interest, experience and expectation of private payer PLAs. Figure 1 provides a sample of the questions posed to stakeholders.

Figure 1. Sample of questions posed to pharma and private payer stakeholders



Each participant completed one of 3 survey paths depending on their response to preliminary questions regarding their previous experience with private payer PLAs (Figure 2). Participants received detailed survey results to honour their time in providing the core information for this study.

Figure 2. Breakdown of survey results and accompanying reports



Please note that respondent quotations may or may not be representative of their peer group, but they are all relevant to the survey and readers are left to draw their own conclusions.

4 Survey Results

The second phase of our study focused on participants who have not yet negotiated a private payer PLA but are interested in doing so. We received a total of 6 responses (4 manufacturers and 2 payers) which represents 22% of the 27 total responses to the survey.

4.1 Question A: Why have you not yet negotiated a PLA?

Comments were received from all four manufacturers and one of the two private payer respondents.

Lack of Necessity/Resources

“Currently we have not had [any] need to negotiate a PLA in the private market. We have optimal listing for all our products and have been able to mitigate any PLA requests with clinical/economics arguments. Furthermore, private payers have not been able to provide the proper data in order for us to evaluate the financial risk of the PLA.” – Manufacturer

“Not enough resources to focus solely on private payer[s] and-or no relevant product up to now.” – Manufacturer

“Competing priorities.” – Private Payer

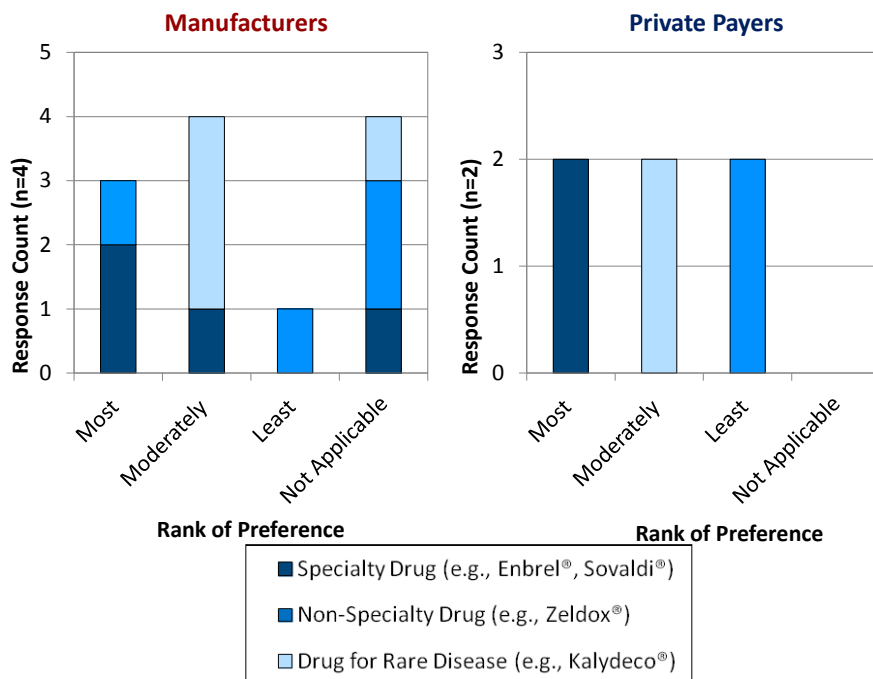
No Insurer Initiative

“Our products do not seem to be a priority for private payers. One has expressed interest after rejecting a submission, but the process has been delayed on the payer side for 6 months.” – Manufacturer

4.2 Question B: Which product types would you be most receptive to negotiating a private payer PLA?

All manufacturers and private payers ranked their willingness to negotiate PLAs by product type (see Figure 3). Both manufacturers and payers were most interested in specialty products. Stakeholders ranked PLAs for drugs for rare diseases second, while non-specialty drugs were ranked last or not applicable for negotiation.

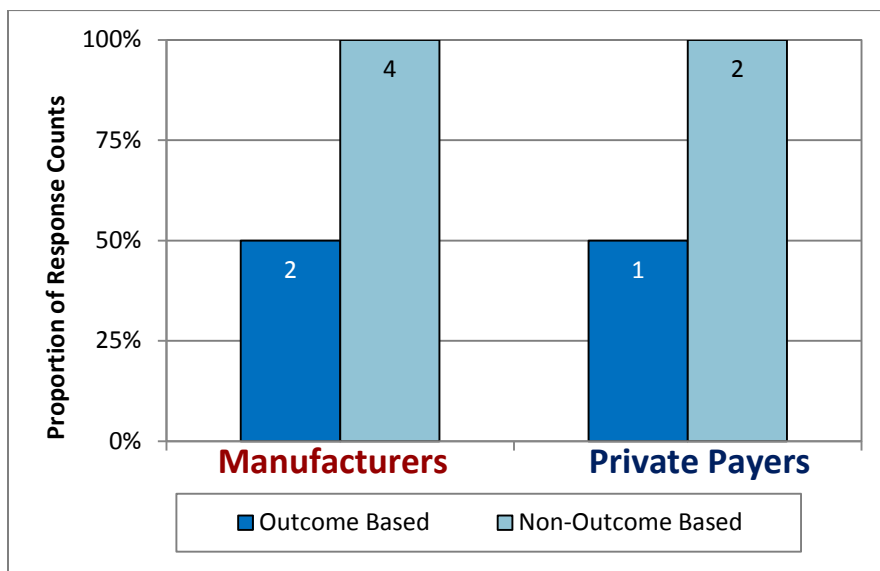
Figure 3. Rank your preference for the type of product(s) for which you would be open to negotiating an agreement.



4.3 Question C: Which type of agreements would you be open to negotiating?

All survey participants (4 manufacturers and 2 private payers) offered responses (see Figure 4). Both groups were interested in non-outcome based PLAs (i.e. price rebate) while only 50% of private payer and manufacturer respondents would be open to outcome-based PLAs (i.e. performance-linked).

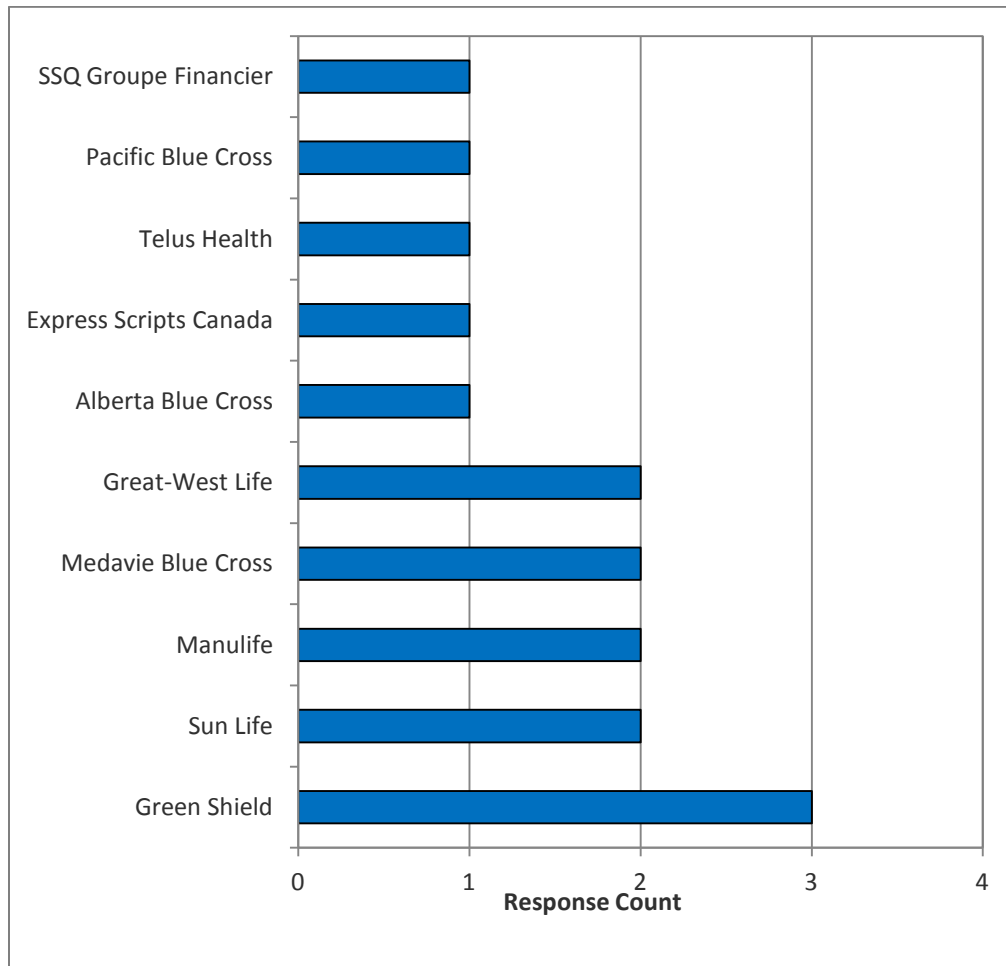
Figure 4. What type of agreement(s) would you be open to negotiating?



4.4 Question D: Which private payers/manufacturers are you most willing to negotiate with and why?

For the first part of this question, all manufacturer respondents (n=4) indicated which Canadian private payers they would be receptive to negotiating PLAs with right now (see Figure 5).

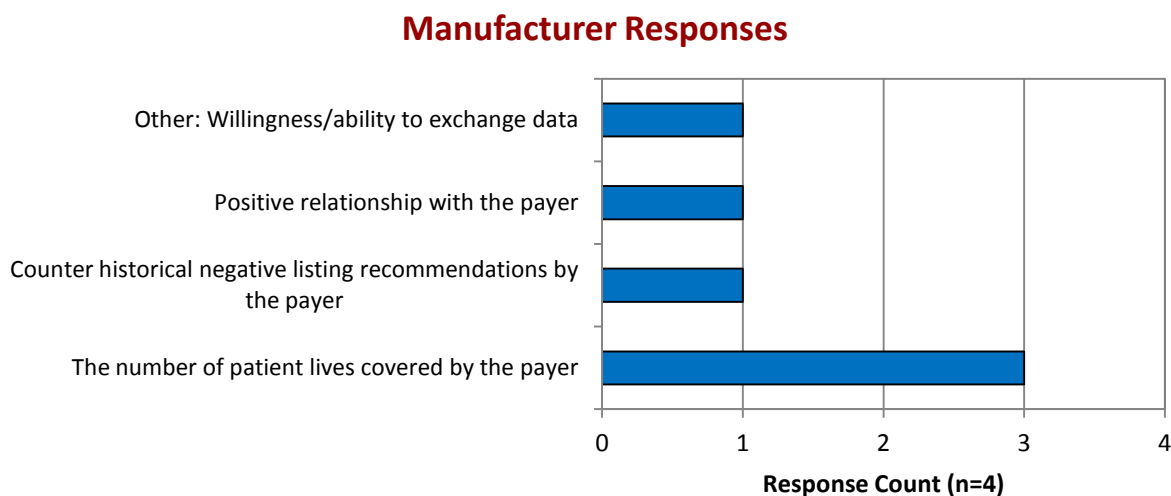
Figure 5. Which private payer(s) would you want to negotiate with?



* Note: Four companies were not mentioned as likely to require a PLA – ClaimSecure, Desjardins, Equitable, and Industrial-Alliance. These private payers were therefore deleted from the above Figure 5.

For the second part of the question, all manufacturers provided reasons for their previous selections (see Figure 6). Three of 4 manufacturers indicated the payer’s market share as the primary reason for possibly negotiating with a particular payer.

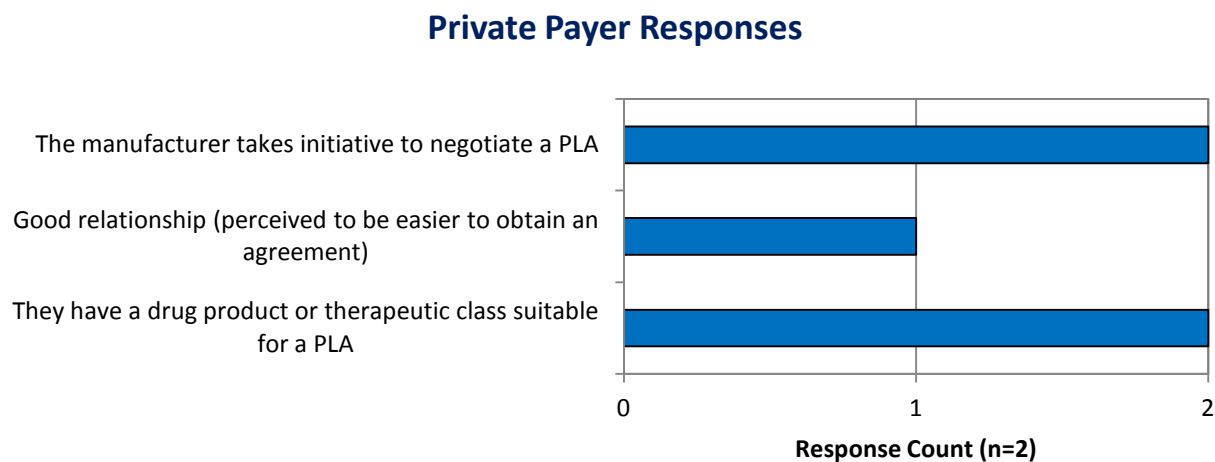
Figure 6. Why would you choose to negotiate with some private payers and not others?



* Note: “Other” marked responses were provided by individual respondents as additional answers.

The private payer respondents did not specify which manufacturers they would prefer to negotiate with but indicated that manufacturer initiative and product/therapeutic class suitability as a reason for negotiating with a particular manufacturer (see Figure 7).

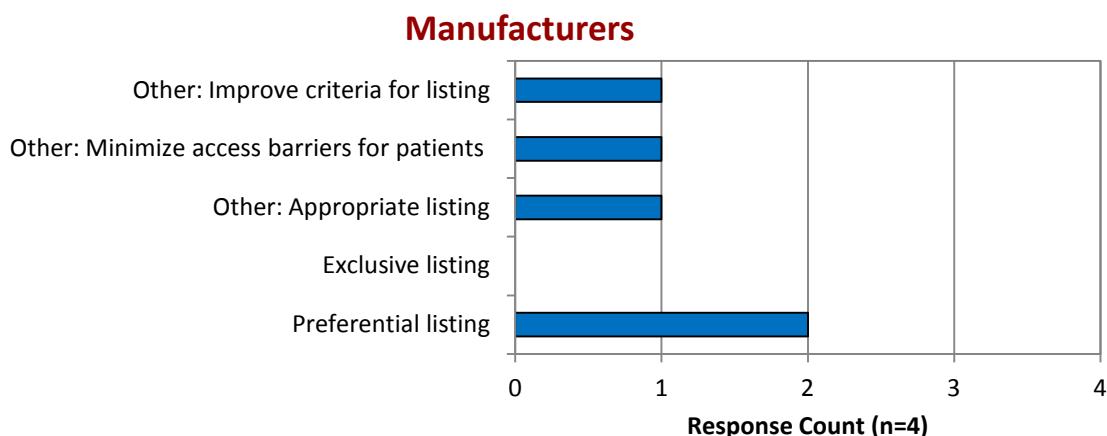
Figure 7. Why would you choose to negotiate with some manufacturers and not others?



4.5 Question E: How would you benefit from such PLAs?

Manufacturer respondents (n=4) provided their thoughts on how their company could potentially benefit from private payer PLAs. Manufacturers believed they would primarily benefit through preferential listing but indicated that PLAs may improve listing criteria or minimize barriers to patient access (see Figure 8).

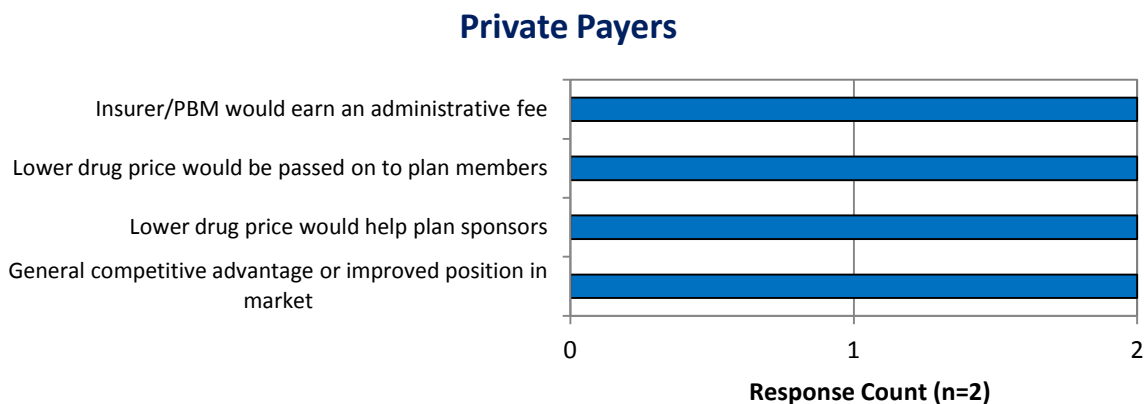
Figure 8. How would your company (pharma) benefit from a PLA?



* Note: "Other" marked responses were provided by individual respondents as additional answers.

Both private payer participants selected all the prompted responses and unlike the manufacturers did not volunteer other comments (see Figure 9).

Figure 9. How would your company (payer) benefit from a PLA?



4.6 Question F: How do private payer PLAs and public payer PLAs differ?

All of the manufacturers (n=4) and one of the two private payers responded.

Types of Agreements Negotiated

"Private payers are not likely to benefit from out-come based agreements, since they are not benefiting from reductions in health care spending the same way that the MofH [Ministry of Health] does." – Manufacturer

“They [private payers] should take into account co-pays/co-insurance (rebates calculation is not on the total cost of the claim but rather plan paid costs).” – Manufacturer

“Likely indications covered.” – Manufacturer

Treatment of Confidentiality

“While we can count on public PLA's for privacy, there will need to be even greater confidentiality with private payers. We don't want existence of negotiated listing to be made public, the way some have already made announcements about their negotiations for specific products. This could prompt others to also want a listing agreement. There is also concern because private payers use many external consultants for their formulary reviews....how do manufacturers ensure confidentiality among them. Also concerns about the actual confidentiality of "firewalls" between public/private, for example (but not directly highlighting) AB Blue and AHS, Medavie, and Atlantic provinces.” – Manufacturer

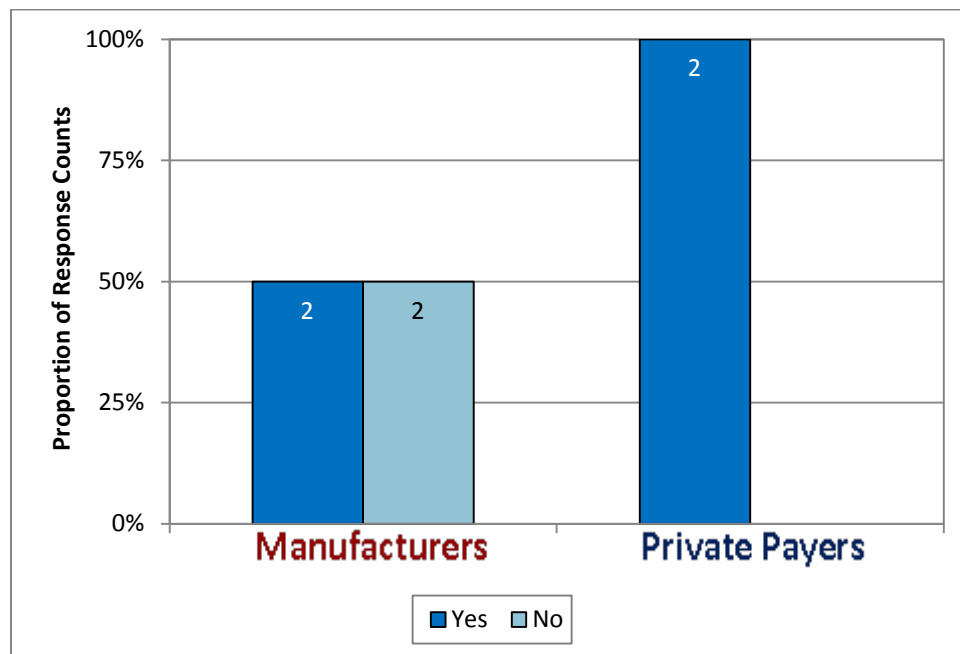
No Difference

“There should not be a difference.” – Private Payer

4.7 Question G: Do you intend to negotiate a private payer PLA in the next 12 months?

All manufacturers and private payers provided responses on their intention to negotiate private payer PLAs (see Figure 10). This question was asked to determine whether manufacturers/private payers had immediate intentions to negotiate such agreements – considering the fact that they may not currently be in a position to negotiate them (e.g. lack of appropriate product).

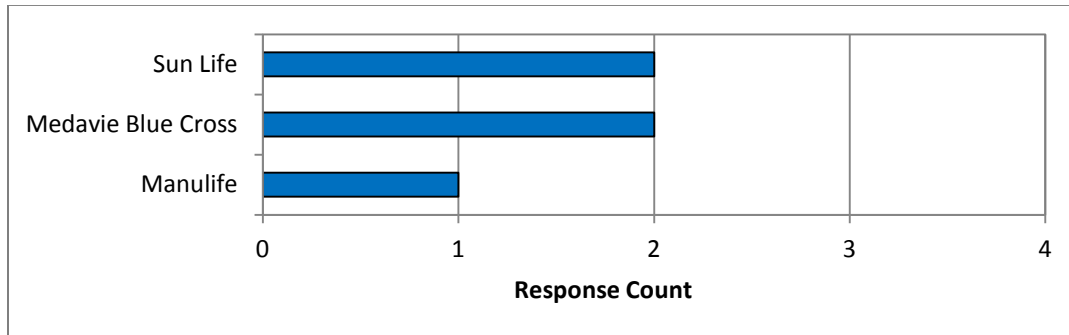
Figure 10. Do you intend to negotiate a PLA in the next 12 months?



4.8 Question H: Which private payers will require a PLA for listing in the next few years?

All manufacturer respondents (n=4) provided their perspective on which private payers they believe will require PLAs in the near future (Figure 11).

Figure 11. Which private payers will require a PLA for listing in the next few years?



*Note: 11 companies were not mentioned as likely to require a PLA – Alberta Blue Cross, ClaimSecure, Desjardins, Equitable, Express Scripts Canada, Great-West Life, Green Shield, Industrial-Alliance, Pacific Blue Cross, SSQ Groupe Financier, Telus Health. These payers were therefore deleted from the above Figure 11.

4.9 Question I: How will the private payer PLA environment evolve over the next 2-3 years?

All of the manufacturers and one of the two private payers offered their opinion that PLAs will increase in importance in the private market.

“For high [cost] drug(s) the likelihood [of private payer PLAs] is high [...].” – Manufacturer

“The focus will be on the high cost specialty or biologics. Could also be a slow shift to stricter criteria after reviews in order to drive manufacturers to seek PLA's to counter the negative review. It is a dangerous area for manufacturers because we believe that once the first product is negotiated with a payer, there will be an expectation for a PLA for subsequent new products.” – Manufacturer

“Private payers will need to have PLA's in place in the next few years - drug spend[ing] is not sustainable otherwise.” – Private Payer

“Definitely expect further restrictions for the specialty biological drugs and treatments for rare diseases that have the potential to impact the small plans. Perhaps we will see an evolution in the plan design (greater co-insurance and lower annual maximums).” – Manufacturer

“So we feel this would be subject on the pCPA. If they [pCPA] become more transparent in their pricing decisions (alla [sic] Germany) than [sic] there will be no need for a private PLAs [sic]. Notwithstanding this, we feel as though private payer PLAs will become more common and will not only be used for preferential listings as they are now but rather as the cost of entry onto the formulary (much like public). The emphasis will be on high cost specialty drugs.” – Manufacturer

5 Summary

This report describes the responses of the segment of manufacturers and private payers who are negotiation-naïve but are interested in negotiating a private payer PLA.

- Approximately 22% (i.e. 4 manufacturers and 2 payers) of the 27 survey respondents indicated that they have not yet negotiated a private payer PLA and but are interested doing so in the future.
- Manufacturers noted that the reason for not negotiating a PLA yet was due to a lack of necessity, resources or initiative from private payers. The private payer noted competing priorities as the reason for not negotiating.
- Both manufacturers and private payers were most interested in negotiating agreements for specialty products. Both payers selected specialty products as their first priority.
- All private payers and manufacturers said they are open to negotiating non-outcome based PLAs (i.e. price rebate). Fewer respondents were interested in outcome-based PLAs (i.e. performance linked).
- Manufacturers named Green Shield most often as the payer with which they most wished to negotiate but all the largest payers were also named more than once. Manufacturers indicated the number of patients payers covered was the key reason they wanted to negotiate with a particular private payer.
- The payer respondents indicated that manufacturer initiative and product/therapeutic class suitability are reasons for negotiating with a particular manufacturer.
- Manufacturers believed that they would primarily benefit from PLAs through preferential listing but also indicated that PLAs may improve listing criteria or minimize barriers to patient access.
- Both payer participants indicated PLAs could give their company new administrative fees, provide lower drug prices for plan members/sponsors, and give them a competitive advantage in the market
- While a payer respondent indicated there should be no difference in public and private payer PLAs, the manufacturer respondents noted there will likely be differences in the type of agreement, indication, and the treatment of confidentiality.
- Four of the six respondents (2 manufacturers, 2 private payers) indicated they will likely negotiate private payer PLAs in the next year. Manufacturer representatives identified Sun Life, Medavie Blue Cross and Manulife as insurers who would likely require a PLA for listing in the future.
- There was consensus among these respondents that PLAs will increase in importance over the coming years.

PDCI and H3 would like to thank all those that participated in this initiative. The goal of this project was to provide clarity on topics such as the prevalence of private payer PLAs, types of agreements being negotiated, motivation for negotiating PLAs and level of interest in negotiating private PLAs in the future. We believe that this goal has been successfully achieved with your contributions.

This is the **second** of **four** reports making up the ***Private Payer Product Listing Agreement Series***.

About the Authors



Arvind Mani, MA, MBA • Director, Market Access and Policy Research

Tel: 613-742-8225, Cell: 613-864-8225, E-mail: Arvind.Mani@pdci.ca,

Arvind provides strategic solutions to clients on market access-related issues throughout the entire product lifecycle. He leads the development of reimbursement submission dossiers that help clients effectively communicate the value proposition of new technologies to payers/health technology assessment agencies. Arvind offers clients advice to help negotiate product listing agreements with the pan-Canadian Pharmaceutical Alliance (pCPA) and public drug plans and executes direct payer research projects through primary research interviews with current and former payers across Canada.



Chris Bonnett, MHSc, PhD (Cand.) • Principal Consultant, H3 Consulting

Tel: 416-458-5468, E-mail: chris@hthree.ca

Chris assists organizations in developing workplace health strategy, and provides health policy research and analysis, specializing in pharmaceuticals and the private sector. Prior to establishing H3 in 1999, he enjoyed 18 years of progressive experience in the employee benefits industry.

Chris has extensive experience in conducting rigorous, practical research, facilitating meetings, and is a frequent writer and presenter on issues facing health service payers, pharma and policymakers. He has served on the Boards of three health care organizations and is an independent member of the Sanofi Canada Healthcare Survey Advisory Board.

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