



PRIVATE PAYER PRODUCT LISTING AGREEMENT SERIES

Report 3: Experience Negotiating Private Payer PLAs

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 but from a different perspective: likewise they are 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.

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.

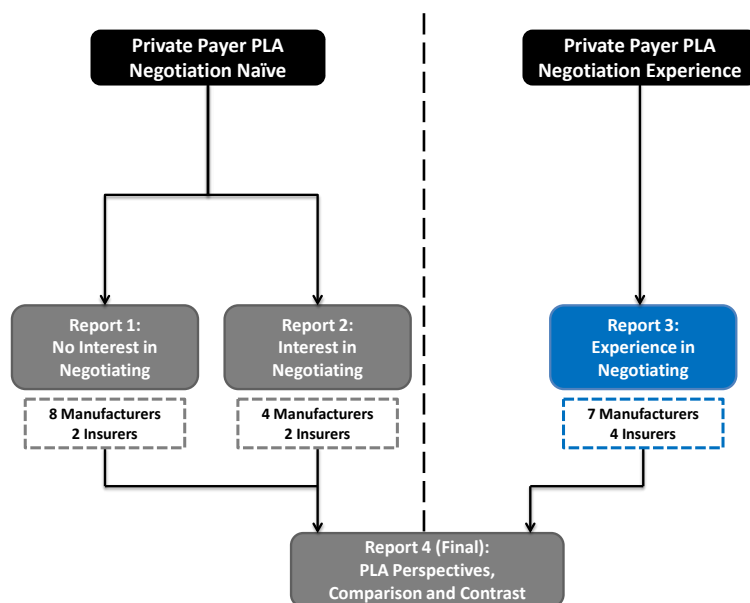
The survey consisted of questions to measure stakeholder’s interest, experience and expectations of private payer PLAs. Figure 1 provides a sample of the questions posed to stakeholders.

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.

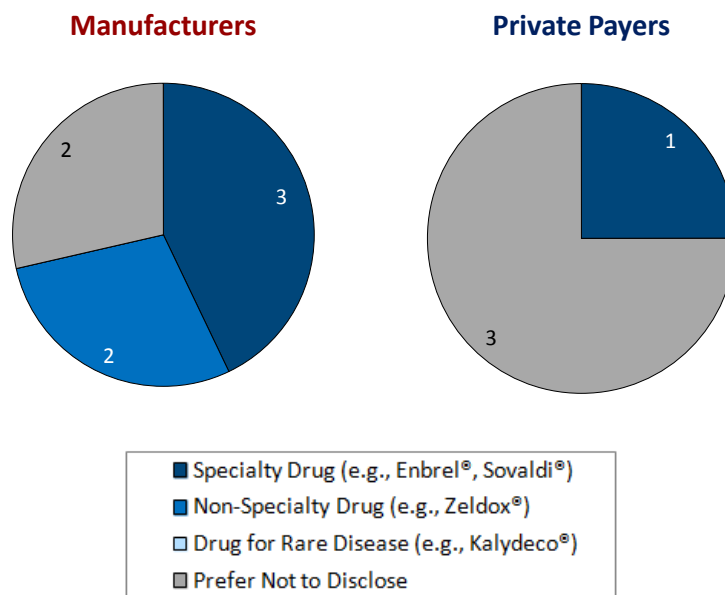
4 Survey Results

The third phase of our study focused on participants who have had experience negotiating at least one private payer PLA in the Canadian market. We received 11 responses (7 manufacturers and 4 payers) which represents 41% of the 27 total responses to the survey.

4.1 Question A: Which product types have you negotiated a private payer PLA?

Responses were received from all manufacturer and private payer respondents (Figure 3). Although most of the responses were “Prefer Not to Disclose”, those who were willing to identify product type had negotiated agreements for specialty drugs. No respondent had negotiated an agreement for drugs for rare diseases.

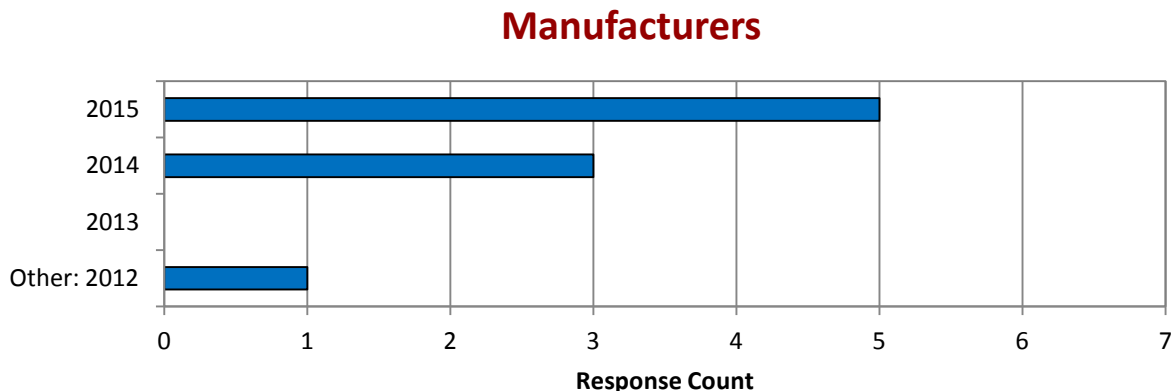
Figure 3. What kind of product(s) did you successfully negotiate the agreement(s) for? Choose all that apply.



4.2 Question B: When did you negotiate the private payer PLA agreement?

Responses were received from all manufacturer respondents (n=7). The majority of agreements were completed in 2015 (Figure 4a). At least one manufacturer has negotiated more than one private payer PLA.

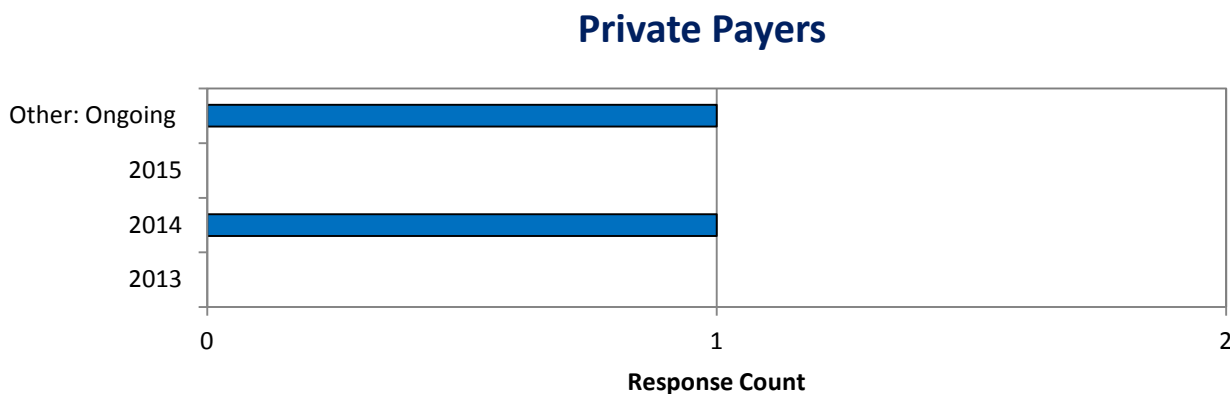
Figure 4a. When did you (the manufacturer) negotiate the agreement(s)? Choose all that apply.



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

Responses were received from two payers. One indicated that a negotiation is ongoing while the other specified 2014 as the year of the negotiation (Figure 4b).

Figure 4b. When did you (the private payer) negotiate the agreement(s)? Choose all that apply.

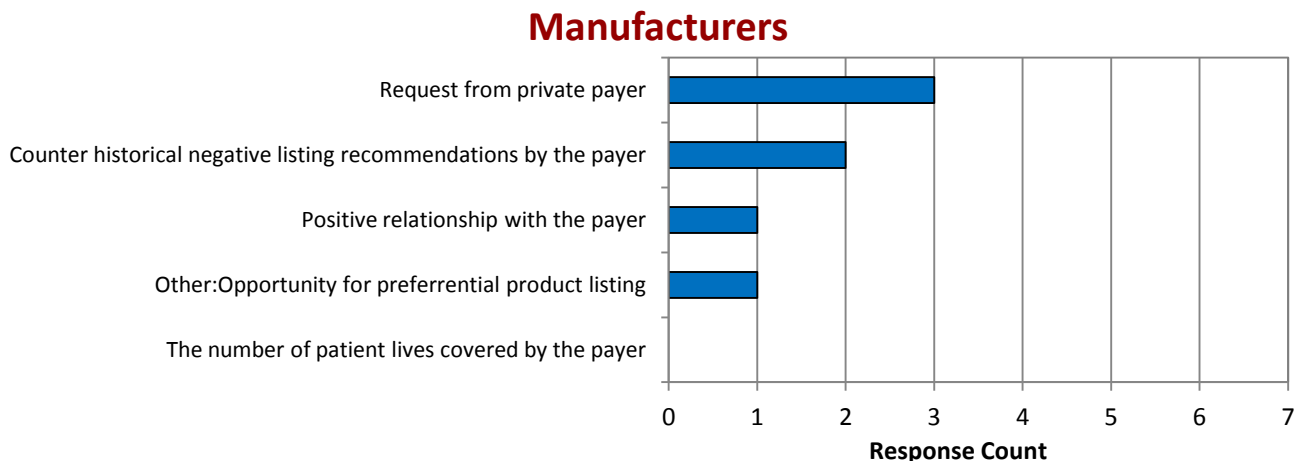


*Note: "Other" marked responses were provided by individual respondents as additional answers.

4.3 Question C: Why did you negotiate with certain private payers/drug manufacturers?

Responses were received from all manufacturer respondents (n=7). A request by the private payer to negotiate an agreement was the most frequent response but all other options but one were selected at least once. Payer market share was not chosen (Figure 5a).

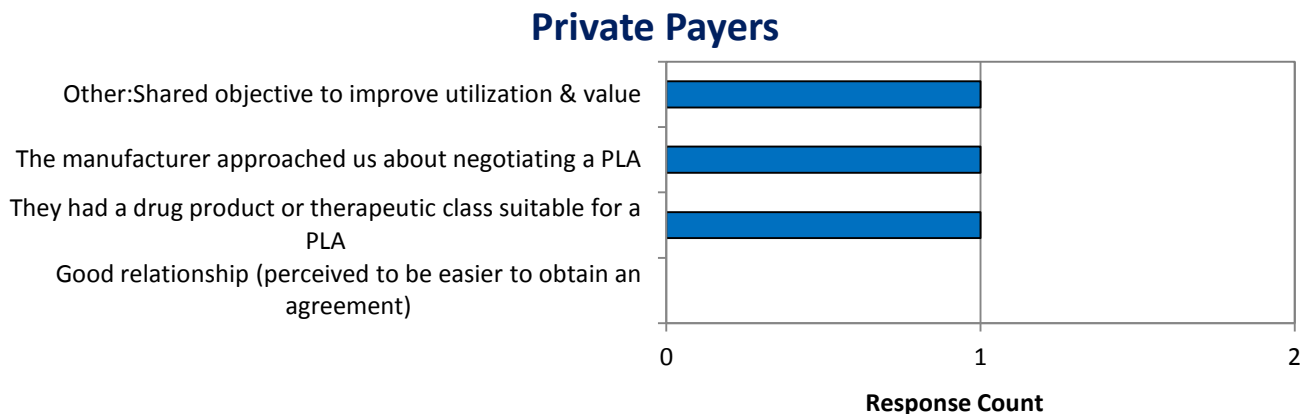
Figure 5a. Why did you choose to negotiate with some private payers and not others?



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

Responses were received from 2 (of 4) private payer respondents (Figure 5b). Good relationship was the only option not selected.

Figure 5b. Why did you choose to negotiate with some drug manufacturers and not others? Choose all that apply.

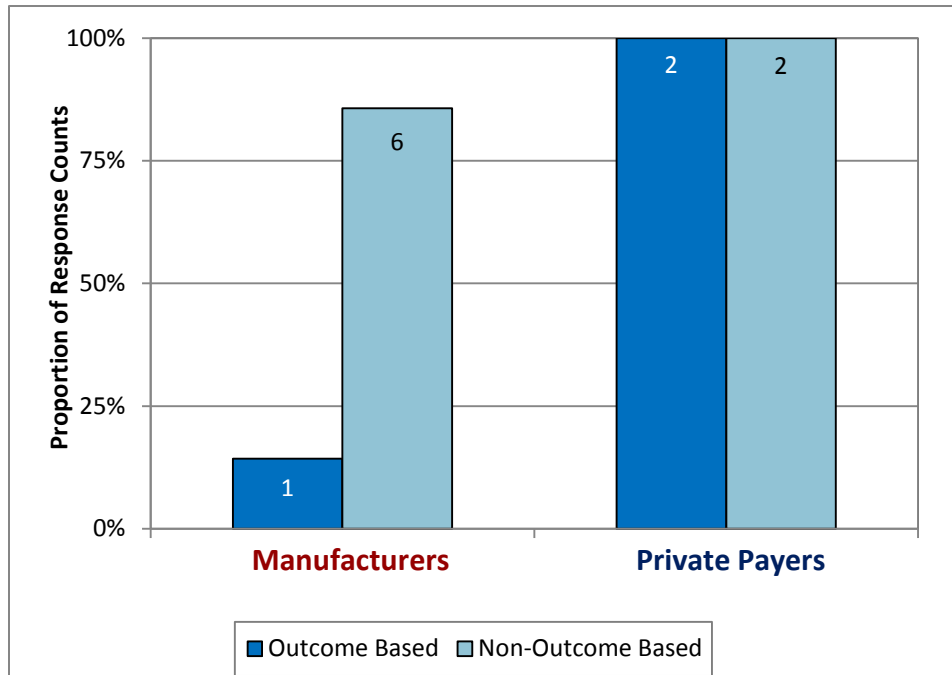


*Note: "Other" marked responses were provided by individual respondents as additional answers.

4.4 Question D: Which type of agreements did you negotiate?

All surveyed manufacturers (n=7) and 2 (of 4) private payers offered responses (Figure 6). Almost all (86%) of manufacturer respondents indicated they have negotiated non-outcome agreements (i.e. price rebate) while each private payer respondent indicated they had experience with both outcome based and non-outcome based (i.e. performance-linked) private payer PLA negotiations.

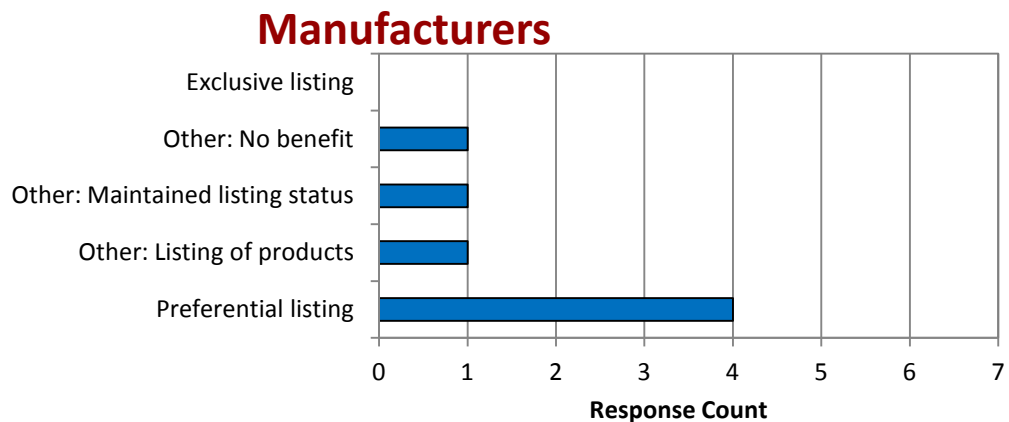
Figure 6. What kind of agreement(s) did you negotiate? Choose all that apply.



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

Responses were received from all manufacturer respondents (n=7). The majority of the respondents indicated the preferential listing was the how they benefited from the negotiation (Figure 7a).

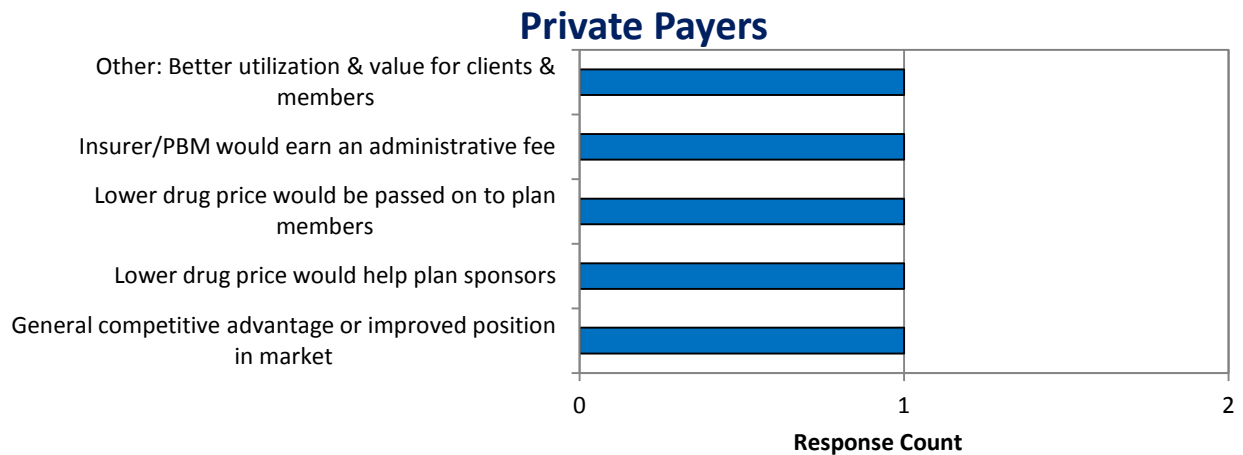
Figure 7a. How did your company (manufacturer) benefit from the agreements? Choose all that apply.



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

Responses were received from 2 (of 4) private payers (Figure 7b). All options provided were selected and one was volunteered.

Figure 7b. How did your company (private payer) benefit from the agreements? Choose all that apply.

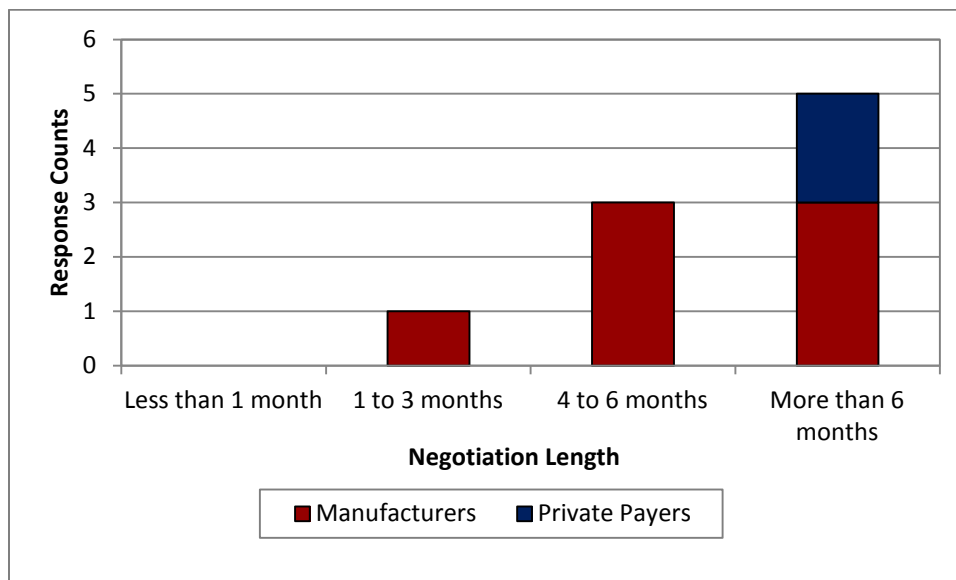


*Note: "Other" marked responses were provided by individual respondents as additional answers.

4.6 Question F: How long did it take you to negotiate?

Responses were received from all manufacturer (n=7) and 2 (of 4) private payer respondents. About half of responses received (55%, n=5) indicated it took more than 6 months to negotiate an agreement (Figure 8).

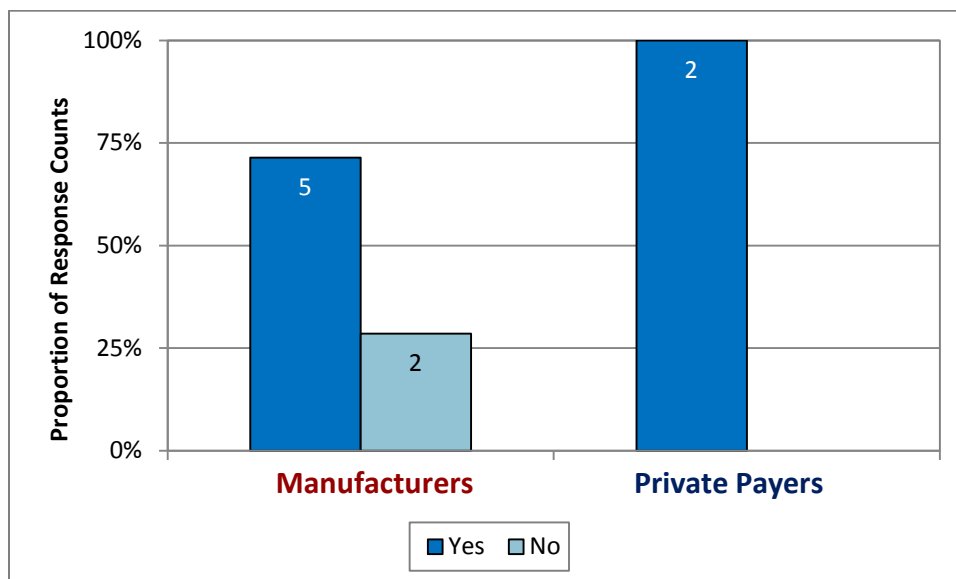
Figure 8. Approximately how long on average did it take to negotiate such agreements?



4.7 Question G: Do you intend to negotiate additional private payer PLAs in the next 2 years?

Responses were received from all manufacturers (n=7) and 2 (of 4) private payer respondents (Figure 9). The majority of the manufacturers (n=5) and both private payers indicated that they expected more agreements in the near future.

Figure 9. Does your company expect to negotiate one or more additional PLAs in the next two years?



4.8 Question H: How can the negotiation process be improved in the future?

Six manufacturers (of 7) and 1 (of 4) payer offered their insight.

Manufacturer Perspective

“Maintain confidentiality of prices; negotiate on 1:1 basis vs. trying to leverage pCPA (maintains competition in the market); keep it simple and rapid.”

“Administration and efficiency of process flow [as well as] technology support[...]”

“This is a difficult question to answer as at this point there really isn't a consistent private payer PLA process, even within insurance carriers, and each situation is unique.”

“Guarantee volume.”

“More clearly articulate their goals to Pharma companies (i.e. drug tiering or preferential listing of drug classes to manage plan costs, condition of listing new drugs, post loss of exclusivity opportunities etc.). Clearly and transparently outline their process and ability to ensure PLA price confidentiality can be ensured.”

“It would be helpful to know if a private payer is open to PLAs, through proactive reaching out. Secondly, it would be helpful for private payers to outline a list of priorities for a PLA (ex. is it just price, or is it price plus efficiency or other value propositions.”

Private Payer Perspective

“Be proactive in proposing solutions that address risk or drive greater value in real world setting.”

4.9 Question I: How do private payer PLAs differ from public payer PLAs?

All manufacturer respondents (n=7) provided their perspective.

Manufacturer Perspective

“More flexibility and openness to explore various solutions”

“Private payers are not often able to manage outcomes like public payers”

“Unlike the pCP, A private payers don't necessarily know what they're after. At this point they seem to be fishing for what they can get.”

“Greater uncertainty.”

“Private payer PLAs are more complex than public payer PLAs as they need to address and consider a greater number of levels of involvement in the claim process/transaction. For example how do PBMs manage transactions when a PLA is in place and how does the process ensure the pharmacy is 'made whole' and the patient's co-pay managed when a PLA price is in place with an insurance carrier.”

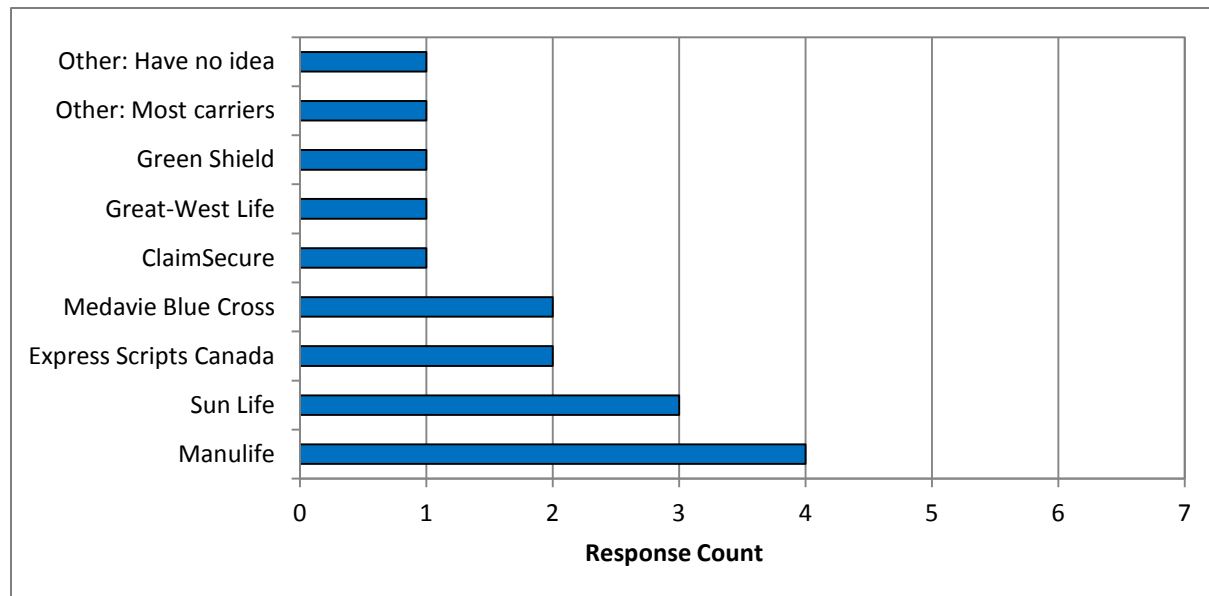
“Private payers are not as aggressive as public payers in terms of PLAs”

“Unsure.”

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

Six (of 7) manufacturer respondents provided their perspective (Figure 10). Neither payer commented.

Figure 10. Which private payers will require a PLA for listing in the next few years?



* Note: Seven companies were not mentioned as likely to require a PLA – Alberta Blue Cross, Desjardins, Equitable, Industrial-Alliance, Pacific Blue Cross, SSQ Groupe Financier, and Telus Health. These private payers were therefore deleted from the above Figure 10.

Manulife and Sun Life were noted most frequently, and Medavie Blue Cross and Express Scripts Canada each got more than one mention. Half the listed payers were not selected at all.

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

Six (of 7) manufacturer respondents and 2 (of 4) private payer respondents provided their views.

Maintain the Status Quo/ Uncertain

“Slow moving. Very different viewpoints by carrier, by region. There is very little ability to accept rebates so this will impact the uptake to the traditional sense of the public PLA’s.” – Manufacturer

“If PBMs put in place IT platform that enable preferential listings upstream, this could impact competitiveness of the market (between carriers). I would not think that all carriers will PLA – re[mains] to be seen if PLAs can really become a competitive advantage [for] those who will do it.” – Manufacturer

PLAs will Increase in Importance

“Private payer PLAs will be consistently required prior to listing for high cost drugs. The Canadian private payer environment is evolving to be more similar to the US.” – Manufacturer

“Expanded use of agreements to support sustainability, value and innovation in drug benefits management.” – Private Payer

“I anticipate a significant expansion in PLAs beyond being used for new product listings to encompass more drug classes/categories that represent as significant cost to private payer plans. I anticipate that PLAs will be a tool for private payers to shift new drug claims to those drugs where private payer has a PLA in place.” – Manufacturer

“More PLAs with more aggressive rebates” – Manufacturer

“More PLA [sic] in place.” – Private Payer

“I would like to see the landscape broaden. I anticipate that it will, given price pressures. I would like to have the knowledge and expertise to begin negotiating private payer PLAs ASAP, so as to get out in front of the issue.” – Manufacturer

5 Summary

This report describes the responses of the segment of manufacturers and private payers who have negotiated a private payer PLA.

- Approximately 41% (i.e. 7 manufacturers and 4 payers) of the 27 survey respondents indicated that they have experience negotiating private payer PLAs.
- For those that were willing to provide clarity on the type of products for which they negotiated an agreement, the majority indicated they had negotiated agreements for specialty drugs while none indicated experience negotiating drugs for rare diseases.
- Most private payer PLA agreements were completed in 2015 but span back as far as 2012.
- The majority of the manufacturer respondents indicated the reason they negotiated an agreement was because they were requested by the private payer.
- Nearly all manufacturer respondents indicated that they have negotiated non-outcome based agreements while both private payer respondents indicated they had experience with both non-outcome and outcome based negotiations.
- Preferential listing was the most cited benefit manufacturers received from the private payer PLA.
- Most respondents indicated that it took more than 6 months to negotiate an agreement.
- Two (of 4) private payers and five (of 7) manufacturer respondents indicated that they would be engaging in more private payer agreements in the future.
- Manulife and Sun Life were identified as the private payers believed most likely to require PLAs in the future.
- Views surrounding the outlook of the private payer PLA landscape were mixed based on respondent comments however most believed private payer PLAs will increase in importance.

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 **third** of **four** reports making up the ***Private Payer Product Listing Agreement Series***.

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