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Financing and Reimbursement of Cures in the US

RESEARCH BRIEF

By MIT NEWDIGS FoCUS Project

26 June 2019

2019F206v039

A survey of 77 payers representing over 280 million lives, completed in April 2019, explored perspectives concerning financing challenges and management strategies associated with durable cell and gene therapies.

WHAT WAS THE GOAL OF THE SURVEY?

This survey was focused on assessing payer perspectives regarding current and future management of high-cost durable therapies with one-time administration. In prior work, the NEWDIGS FoCUS project conducted telephone interviews with 15 payers across multiple payer segments in August-September 2017.[1-2] At that time, payers had variable awareness and readiness to manage the new cost of the therapies in question, with one-third newly aware and learning about these therapies, 40% watchfully waiting and 27% engaged in active management. 47% expressed a willingness to engage in innovative financing models, performance-based annuities and risk-pooling.

The goal of this online survey conducted between September 2018 and April 2019 was to update the results and broaden the number of payers surveyed. Areas of focus included interest in considering new financing approaches, the priority and timing of action, and considerations for adoption.

WHO PARTICIPATED?

A total of 77 payers completed the online survey. They represented 153 commercial fully insured, Medicaid, Medicare Advantage, and self-insured employer plans (Figure 1).

Payers ranged in size from less than 5,000 insured lives to upwards of 50 million and in total covered over 280 million lives.

KEY TAKEAWAYS

80% of payers have a high or extremely high level of concern regarding the financial risk and budget impact of high-cost durable therapies.

The majority of payers expect to implement new management approaches within 1-2 years, citing this as a high priority.

Both per patient cost and cumulative cost across all patients and treatments is a concern.

Payers view linkage of outcomes with payment as a beneficial means of paying for treatments that work.

Respondents were distributed among pharmacy staff (53%); medical staff (31%); human resources and benefits staff (9%); and finance and actuarial staff (7%).

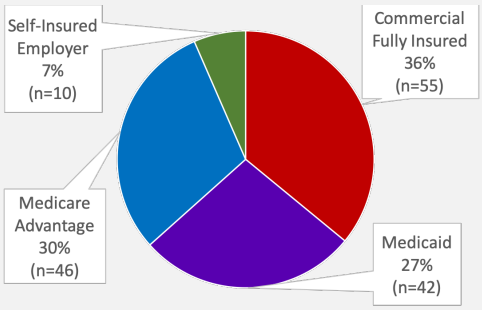

Figure 1. Distribution of survey participants by payer segment (n=153)

WHAT DID PAYERS TELL US?

The management of financial risk and impact of high-cost durable therapies was rated as a high or extremely high concern by 80% of payers surveyed (Figure 2). Concerns cited included total cost, payment timing relative to benefits, product performance risk, and the actuarial risk of encountering a case.

The vast majority of the payers covered the cell and gene therapies commercially available at the time of the survey, with 53% of payers covering all and 46% covering some therapies. Current management strategies include utilization management, case management, and use of centers of excellence.

Over half of the 77 payers reported that they were moderately to extremely likely to manage one-time treatments differently from other high-cost chronic treatments. Multiple approaches to management of financial risk are of interest to payers, including but not limited to (Figure 3):

- Risk pooling
- Milestone-based contracts with upfront payment and repayment tied to short or long-term performance measures
- Spreading payments over multiple years and tying future year payments to performance measures

Of the 77 payers surveyed, some (13%) have already implemented new strategies, but the majority (57%) expect to do so in the next 1-2 years. And the payers are focused on financing high cost durable therapies, with 76% citing this as a high or very high priority for their plan.

Finally, when asked to cite the benefit of engaging alternative financing proposals, over 80% of payers identified paying for treatments that work as a very or extremely important benefit of these agreements (Figure 4).

NEXT STEPS

This research brief includes top line, aggregated results across all payer respondents. Further analysis will include results by payer segment and a more detailed analysis by line item response.

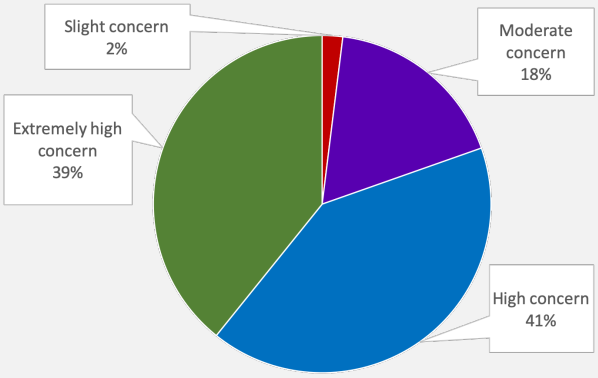

Figure 2. "For your organization, how much of a concern is managing the financial risk and impact of high cost durable therapies?" (n=153 plans)

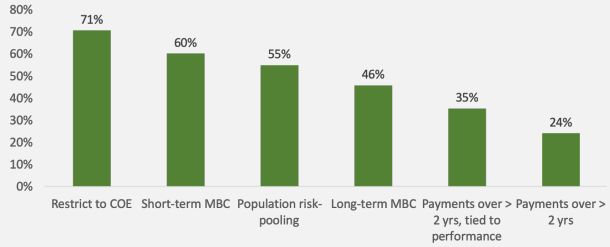

Figure 3. "Which of the following approaches do you think your organization will use in the future to manage the financial risk and impact of new high cost durable therapies?" (n=153 plans)

Note: MBC = Milestone-based contract with upfront payment for treatment and refunds tied to performance metrics

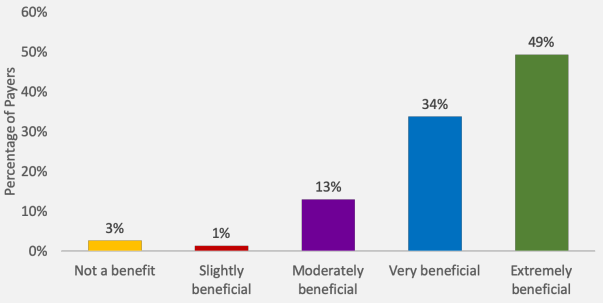

Figure 4. Benefits of accepting alternative financing approaches –"only paying for therapy that works (including performance-based requirements for initial or continue payment)" (n=77 respondents)

REFERENCES

1. Barlow, JF, Yang M, & Teagarden R. Are payers ready, willing, and able to provide access to new durable gene therapies? *Value Health*. 2019;22(6):642-647. https://www.valueinhealthjournal.com/article/S1098-3015(19)30037-3/fulltext. Published May 16, 2019. Accessed June 11, 2019.

2. MIT NEWDIGS FoCUS Project. Payers open to innovative financing mechanisms for high cost gene therapies. http://newdigs.mit.edu/sites/default/files/FoCUS%20Research%20Brief_2017F212-012.pdf. Published December 15, 2017. Accessed June 11, 2019.

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ABOUT FOCUS

The MIT NEWDIGS consortium FoCUS Project (Financing and Reimbursement of Cures in the US) seeks to collaboratively address the need for new, innovative financing and reimbursement models for durable and potentially curable therapies that ensure patient access and sustainability for all stakeholders. Our mission is to deliver an understanding of financial challenges created by these therapies leading to system-wide, implementable precision financing models. This multi-stakeholder effort gathers developers, providers, regulators, patient advocacy groups, payers from all segments of the US healthcare system, and academics working in healthcare policy, financing, and reimbursement in this endeavor.

Research funding

This research was funded in part by the FoCUS Consortium in the MIT Center for Biomedical Innovation NEWDIGS Initiative.

We would like to extend a special thanks to Huron Consulting Group for their in-kind consulting services and honoraria to support this payer survey.