

CBI's 2nd Annual **Risk-Sharing and Innovative Contracting Models for Bio/Pharmaceuticals**

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# Improving Patient Adherence through Lower Co-Pays

*Can Manufacturers and Health Plans Create a “Win-Win” Strategy Through Co-Pay Offset Programs for “Appropriate Use”?*

# The Amundsen Group

*Exploring Uncharted Territory in Pharmaceutical Sales and Marketing*

**Epic race to the South Pole between rival explorers Amundsen and Scott:  
a metaphor for our mission**

## Roald Amundsen

### The Team:

8 passionate, experienced explorers from beginning to end in attempt to reach the pole

### The Strategy:

Critically appropriate & simple technology for the environment (skis, sleds, Huskies)

### The Outcome:

Amundsen arrives on the South Pole December 14, 1911

## Robert Scott & The British

80 + people involved in expedition; staging so leader could carry flag last 20% of the way

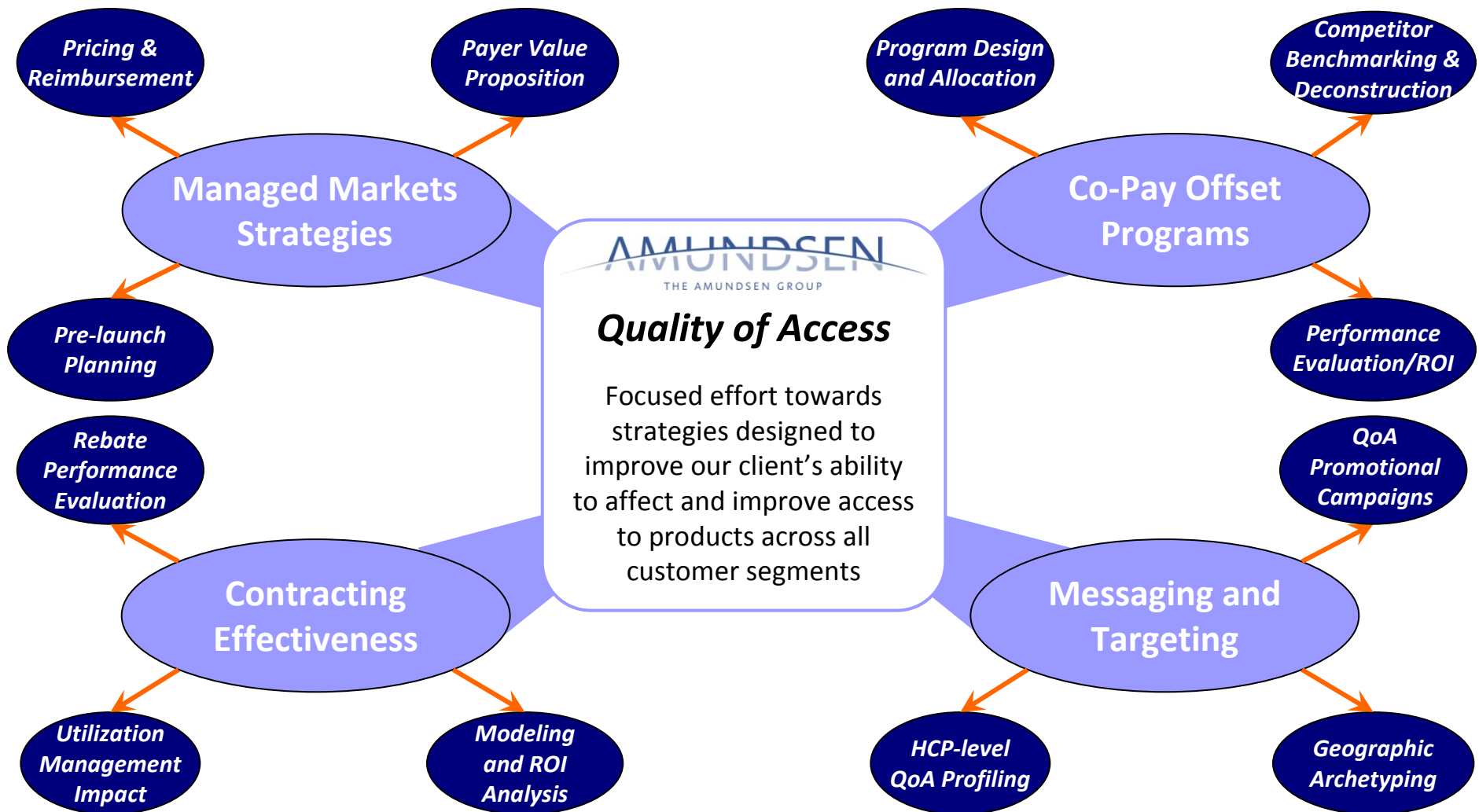
Overly complex & non-functional in harsh Antarctic climate (tractors, Mongolian Horses)

Over a month later, Scott arrives January 17, 1912 – dies on return

*“I may say that this is the greatest factor -- the way in which the expedition is equipped -- the way in which every difficulty is foreseen, and precautions taken for meeting or avoiding it.”*

The South Pole, by Roald Amundsen

# Amundsen's Mission: Strategies Around Quality of Access



# Let's Investigate the Motivation Around Contracting and Co-Pay Offset Programs



**Jamie Sidore** ← *Point-Counterpoint Format* → **Mason Tenaglia**

## Presentation Agenda:

- Where have we come from?
- What are the issues we're dealing with now?
- What does the future look like?

**What creates the “win-win” opportunity in this landscape?**

## How Can Lower Co-Pays Create Win-Win Contracting Scenarios?

### Collaborations Between Manufacturers and MCOs on “Innovative” Contracts... Limited (ahem) Success

#### WHY? What’s the Motivation?



- Manufacturers like to contract
- Should want to contract to secure “affordable access”
- Expect contracting to provide competitive advantage
- Want higher rebates tied to greater movement in market share – plan as my partner

- MCOs want to provide formulary choice to HCPs
- Limit broad access when marginal therapeutic differentiation exists
- Do not want to “drive” market share
- Struggle to validate contracting other than “part of the game”

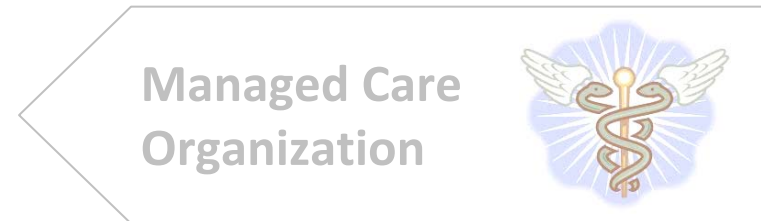
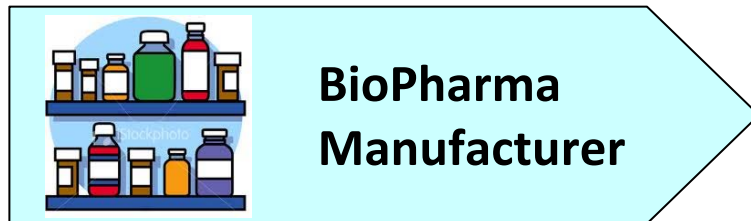


## Managed Care Organization Perspective: Where Have We Come From?



- Low level of awareness, even lower level of interest
- No visibility into use – ex-post adjudication

## BioPharma Manufacturer Perspective: What Are We Dealing With Now?

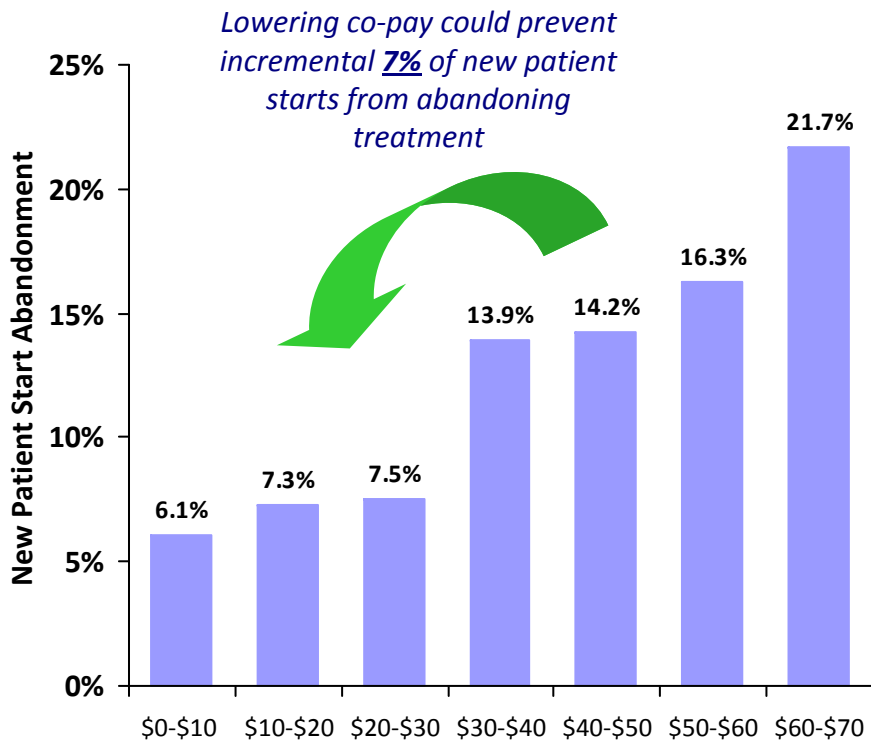


- Total industry expense of **\$3-6B** (2010E)
- Proliferation of cards, programs, variations → Sub-prime mortgages
  - Tens of millions of \$ over-budget
  - ROI? What ROI?
- Used to reduce T3 co-pays to T2 level
  - Coupon → "Pay no more than \$X..." model
- **Brands/Organizations struggling to realign**
  - From: "miscellaneous brand expense"
  - To: "access and affordability strategy"

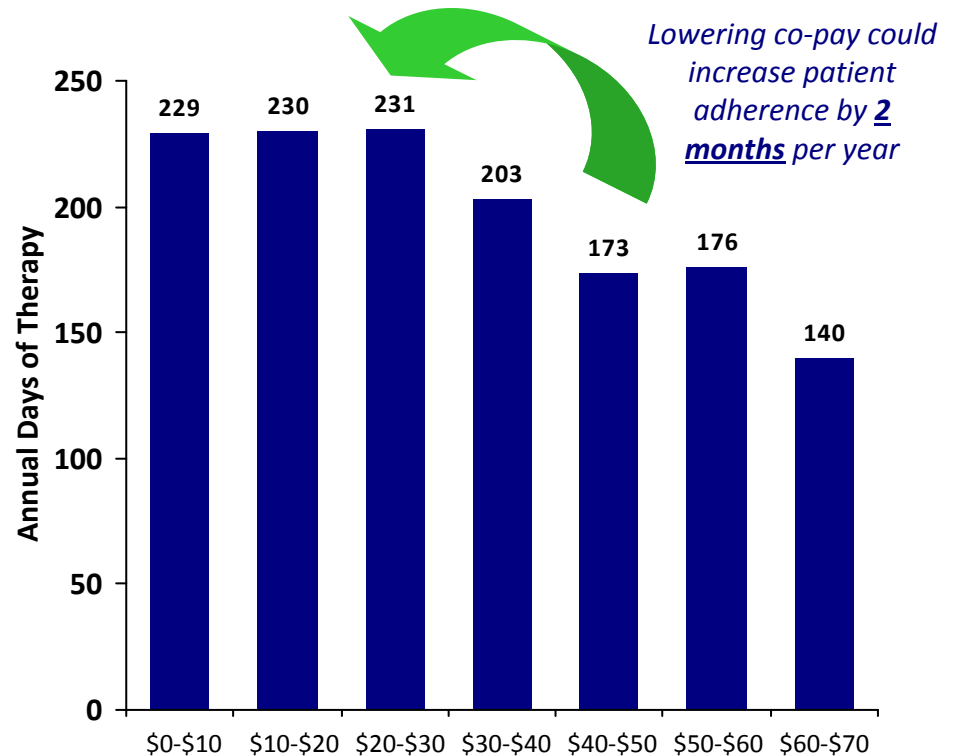
# Use of Co-Pay Offset to Improve Brand's Quality of Access

Understanding where patients are sensitive to cost, and where it makes a material impact on brand business informs design and use of co-pay offset programs

## Impact of Co-Pay on Willingness to Fill



## Impact on Patient Adherence





## Managed Care Organization Perspective: What Are We Dealing With Now?

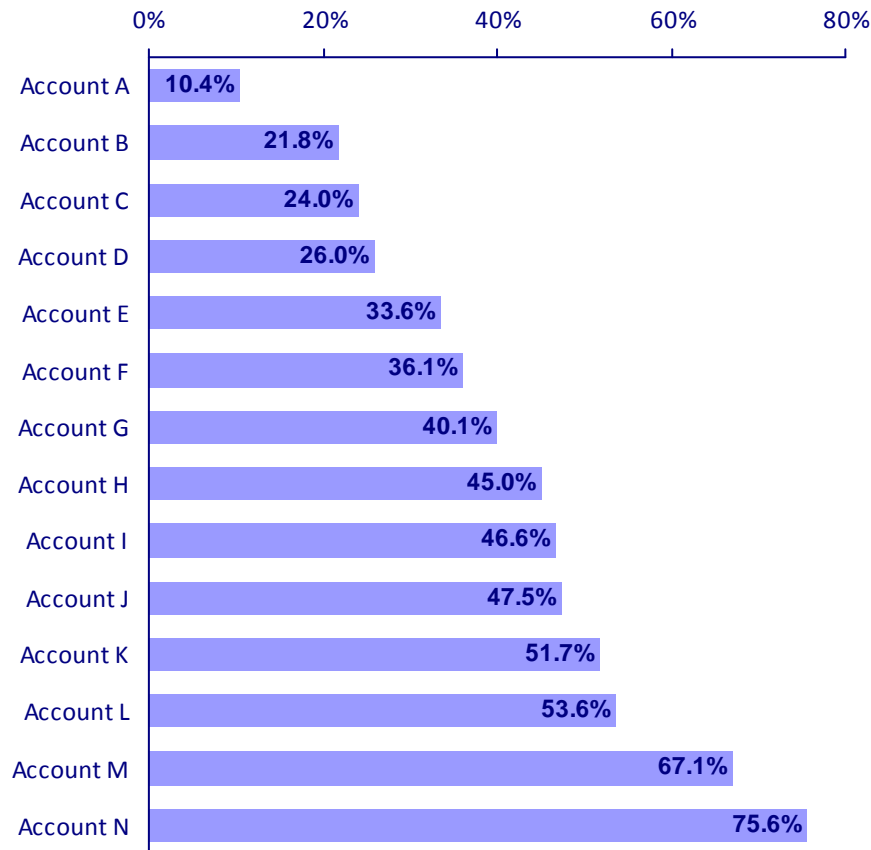


- Manufacturers can “emasculate” formulary placement by buying-down a Tier 3 co-pay to Tier 2 levels
- Forced to use ST to enforce branded agent preference order
- Adherence to drug therapy remains woefully low in many chronic conditions
  - Value-based formulary (incl. \$0 co-pays) poorly penetrated, questionable outcomes
  - Some “must-add” products forced to specialty tier with mandatory co-insurance, by benefit design
- Continual increases in CV-MET/chronic diseases, where poor adherence correlates with increased medical loss liability

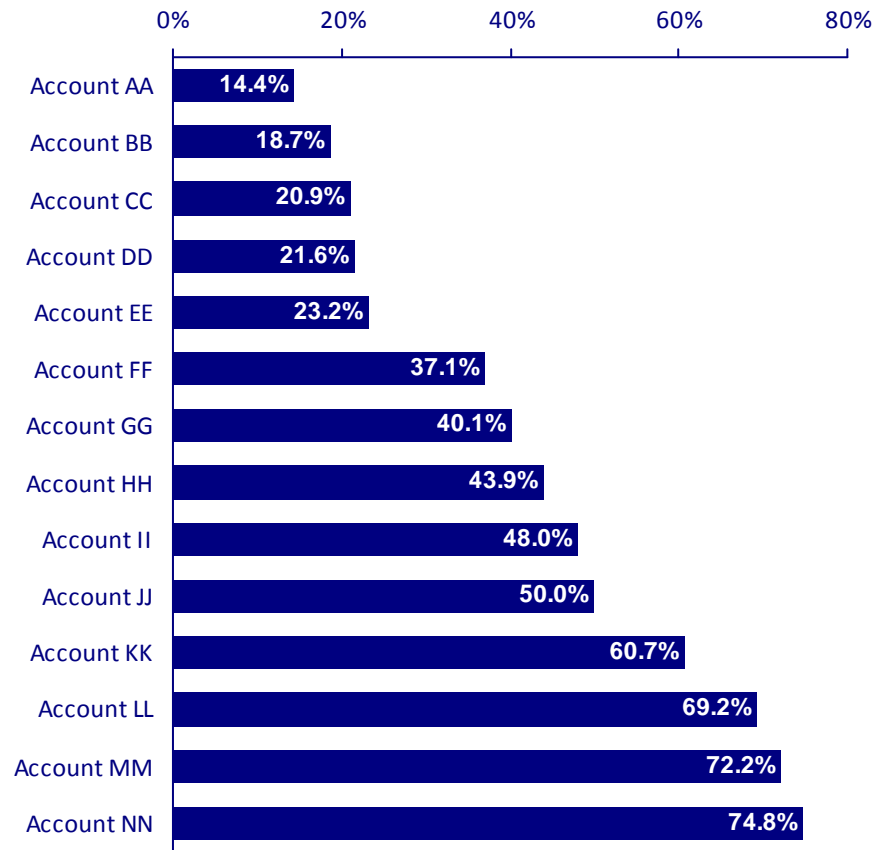
# Effectiveness of Utilization Management Across Plans

While MCOs may implement low-cost ST or high-cost PA, their effectiveness varies widely from account to account, even in the same therapeutic class

% of BRAND New Patient Starts Prevented from Getting Through **ST** Restriction Within 3 Months



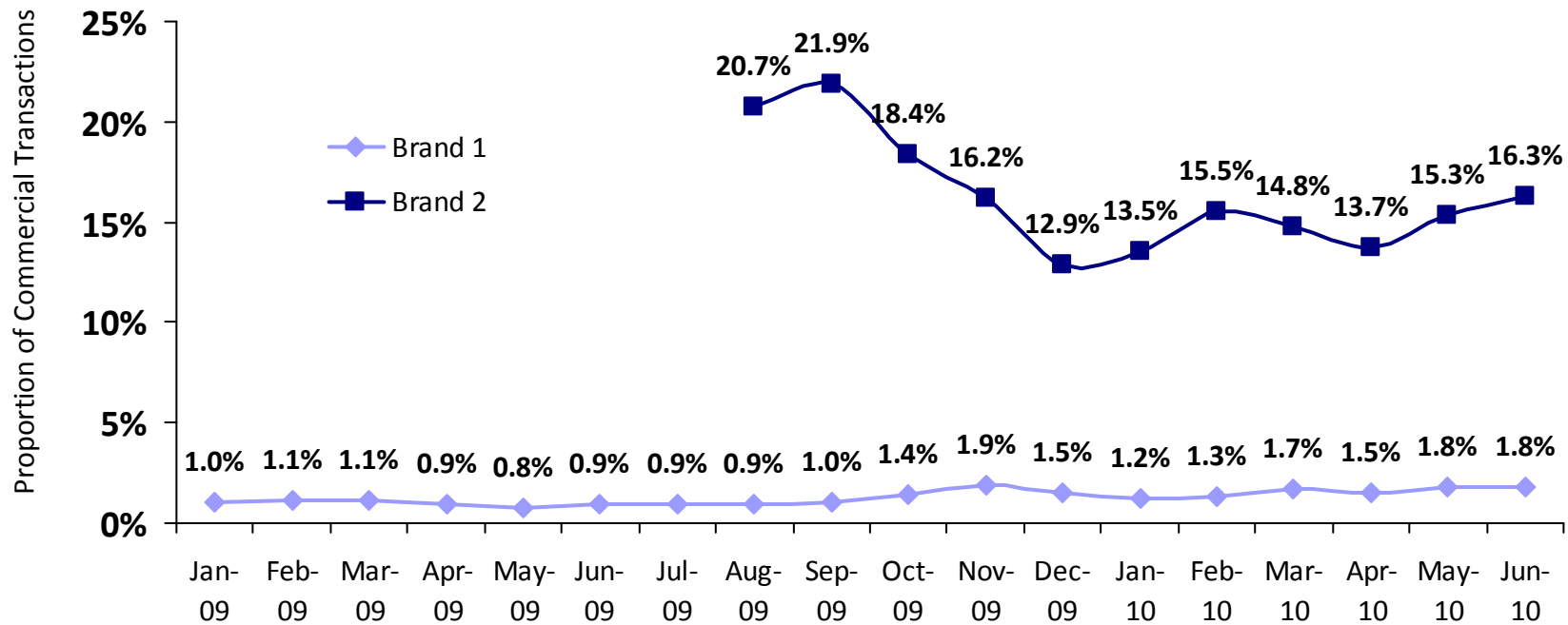
% of BRAND New Patient Starts Prevented from Getting Through **PA** Restriction Within 3 Months



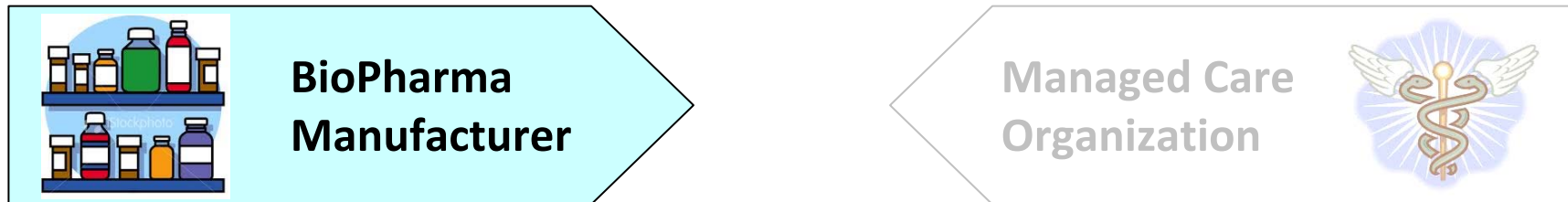
## Co-Pay Offset Represents a Significant Component of Launch Access

While most brands are seeing increased use of co-pay offset programs, a newly launched brand may have upwards of 20% of all transactions involving use of a co-pay offset

### Commercially-Insured Transactions Involving Use of Co-Pay Offset Card



## BioPharma Manufacturer Perspective: What Does the Future Look Like?



- Co-pay offset program not as expense, but net revenue positive
- Not pay for the same Rx three times
  - Pay sales rep to provide clinical detail to HCP
  - Pay MCO for preferred tier formulary access
  - Pay down patient co-pay because Tier 2 is still too high for patient
- Incorporate co-pay offset into brand access strategy, as complement to contracting
- Use co-pay offsets to reduce branded co-pays to level of generic
- Wary of MCO designs that limit pharmacy network/ability to use co-pay offsets for transactions

## Managed Care Organization Perspective: What Does the Future Look Like?



- Salivate at patent-cliff – shudder at \$4 savings card
- Weighing costs of utilization management (PA/ST) against limited tier differential co-pay control
- Trend in specialty drugs of utmost concern
  - Formulary driven by higher cost-sharing to patient, regardless of treatment value

## Looking to the Future

### *So Where Does “Win-Win” Exist?*



**BioPharma  
Manufacturer**

Win-Win?

**Managed Care  
Organization**

#### Wants:

- Value for rebate \$
- Affordability to consumer
- Contracting for preferred tier to mean something
- Pay for what matters, not pay for what doesn't

#### Wants:

- Drive generic use, where possible
- Control drug trend, especially specialty
- Boost medication adherence, especially in chronic CV-MET conditions

## Areas for “Win-Win” on Contracting



*Minimize abandonment at product launch*



*Improve adherence in chronic conditions*



*Specialty products (e.g., Biologics)*



*End of lifecycle, down to generic co-pay level*



*Reduce co-pays for non-contracted brands*



## Your Thoughts?



## *So Where Does “Win-Win” Exist?*

*Minimize abandonment at product launch*

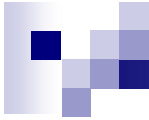
*Improve adherence in chronic conditions*

*Specialty products (e.g., Biologics)*

*End of lifecycle, down to generic co-pay level*

*Reduce co-pays for non-contracted brands*

*Other situations?...*



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