

Featured [Health Business Daily](#) Story, Dec. 11, 2017

Value-Based Pharma Contracts Need More Experimentation

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November 10, 2017 Volume 18 Issue 21

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For payers, value-based contracts (VBCs) can provide some sense of security that patient outcomes will be linked to the price paid for a drug. But VBCs are just beginning to take off, and a number of barriers must first be addressed, according to a panel gathered by the Academy of Managed Care Pharmacy (AMCP). The findings are summed up in an article titled, “AMCP Partnership Forum: Advancing Value-Based Contracting,” and published in the Nov. 1 issue of *The Journal of Managed Care and Specialty Pharmacy*.

AMCP in June convened the Partnership Forum on Advancing Value-Based Contracting, a group of more than 30 health care leaders, including health plans, health systems, PBMs, employers, data and analytics companies, and manufacturers. The panel was asked to consider different types of VBCs and explore a variety of factors that would affect different types of contracts, according to AMCP.

The group found that the most common barriers to VBCs for payers are “a perceived lack of evidence” that drug spending was cut back; the difficulty in getting outcomes data during the contract period, and the uncertainty surrounding the budgets needed to manage the contracts.

For manufacturers, the panel said key barriers included challenges in obtaining accurate data and outcomes metrics, limits in their ability to discuss information outside of FDA-approved labeling, and other legal and regulatory barriers. Those barriers have caused manufacturers to seek a safe harbor from the Anti-Kickback Statute and an exception to — or clarification of — Medicaid best price requirements.

The panel determined that one of the greatest challenges with VBCs is selecting how to measure outcomes. “Measure selection can quickly become highly complex and variable based on the drug, patient population, and expected outcomes,” they concluded.

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Keep It Simple

The group's overall advice was to keep measurements simple. VBC contracts should use easily measurable and clinically relevant metrics, or those associated with financial or clinical improvements. For example, VBC contractors could use inpatient hospitalizations, observation stays or emergency department visits for metrics, or "hard clinical endpoints," such as myocardial infarctions, cardiovascular composite endpoints or deaths. Cancer-free survival, progression-free survival, cure rates and adverse event rates were also among those suggested.

The group said that many VBCs have been implemented in the marketplace, but only a few have been reported publicly. Stakeholders are still experimenting with different types of VBCs, they said (see table, p. 5). The overall advice the group gave was that organizations that want to try VBCs should begin by experimenting first. Some in the group suggested using toolkits based on organizational goals and data analytic capabilities that could be a starting point for a discussion on VBCs.

Susan Cantrell, CEO of AMCP, tells AIS Health that the flexibility of VBCs allows for a range of different possible arrangements.

"Truly, at the heart of making an appropriate VBC decision is determining whether the outcome(s) of interest can be clearly defined, observed or measured within a specific population of patients during the designated time period," she says. "Because VBCs are voluntary agreements between the contracting entities, they may choose a contract type that works best given existing market forces and/or the level of risk each entity is able to bear."

"There can be instances where there is enough uncertainty in an outcome of interest that the VBC becomes a tool to generate new data and evidence for future decisions," Cantrell says. "This could be the case for an emerging treatment or drugs that treat a rare disease. In an example like this, establishing a VBC can provide access to treatments that a patient may otherwise have difficulty accessing on their own or through other means."

AMCP's journal article coincides with an Oct. 24 white paper issued by the Network for Excellence in Health Innovation (NEHI) on value-based contracting for oncology drugs, which also encourages experimentation with VBC contracts. "[T]he revolution occurring in cancer treatment is producing

breakthrough medications that offer great benefit to many patients, at considerable cost,” the NEHI report said. “Many of these drugs could be strong candidates for value-based contracts that hold biopharmaceutical manufacturers more accountable for improved patient outcomes than conventional purchasing arrangements, while also offering the potential for more affordable pricing. A period of experimentation is needed to develop such contracts and learn from them. It is also important to establish the legal and regulatory framework to help facilitate these contracting opportunities.”

Cantrell says VBCs are just one possible tool available to control drug costs. The limited number of entities involved in a typical VBC cannot take on the entire complexity and vastness of the U.S. health care system. “AMCP believes VBCs are a step in the right direction,” she says. “As we learn more from successful VBCs, market forces can adjust to prices more appropriate to each clinical situation.”

“In the short term, we need to learn from each other on what works and what doesn’t,” she says. “We know that for every successful VBC, there are an untold number of discussions that have gone nowhere. We also need to share best practices around VBCs. What works for one entity may not work for another, but there may be some best practices that can streamline the process.”

Cantrell says both in the long and short term the U.S. needs to address regulatory barriers that potentially limit greater adoption of VBCs.

NEHI agreed. “Payers, providers, biopharmaceutical companies, taxpayers, and government all have an interest in seeing these experiments and investments in value-based contracting proceed,” it said in its white paper. “Some regulatory relief is needed to support these arrangements, as is a robust commitment from stakeholders to build the data systems and take other steps to shape a true ‘learning health system’ in cancer care.”

AMCP says it will use the forum’s recommendations to establish a coalition of organizations that seek to broaden the acceptance of VBCs in the marketplace and by policymakers.

Read the AMCP article at <http://bit.ly/2yZIBlk>.