PRIVATE PAYER PRODUCT LISTING AGREEMENT SERIES

Report 4: PLA Perspectives, Comparison and Contrast

September 2015

Outlook

- The majority of product listing agreements (PLAs) reported through the survey were negotiated in 2015, and several months were required to complete negotiations.
- We expect more agreements in the next 2-3 years with a continuing focus on price and cost reductions rather than clinical or market outcomes. Private payer PLAs are likely to focus on specialty products.
- It appears that PLAs are not (yet) a condition of listing on private plan formularies, so patient access has not been affected.
- Private payers are unlikely to be as well prepared to negotiate PLAs as drug manufacturers. As of September 2015, manufacturers have 79 completed and 22 ongoing PLAs through the pan-Canadian Pharmaceutical Alliance (pCPA).[1] Manufacturers appear to have consolidated their knowledge from the pCPA process and other international markets where risk-sharing agreements also exist.
- We expect that some private payers (through their industry group, the Canadian Life and Health Insurance Association [CLHIA]) are likely to pursue PLAs in a more organized and aggressive manner as more sophisticated resources – human and technological – are devoted to drug plan management over the next 2-3 years. This resource intensity favours the larger insurers and Pharmacy Benefit Managers (PBMs), except if the CLHIA takes the lead. It is unclear if drug manufacturers have or share a preference about how this negotiation may evolve.
- Payers will need to resolve concerns about collusion and anti-competitive behaviour with the federal Competition Bureau. They could argue such negotiations are in the public interest and very similar in process and impact to pCPA agreements.
- It is not clear if private market PLAs benefit drug manufacturers, other than on a very selective basis. In the absence of tangible or immediate threats to access, payers have a greater interest in initiating discussions than manufacturers.
- Learning from the US private market and the lack of transparency surrounding pCPA negotiations, we expect the private market – led by large employers, unions and perhaps their benefit advisors – to press for more transparent PLAs. Patient groups may want to know that their cost-sharing is reduced from price cuts.
- On September 25, 2015 Manulife introduced its new DrugWatch™ Program[2]. It has been described by Manulife as the only program of its kind in Canada which "closely monitors the drug landscape and analyzes the effectiveness and financial impact of new medications, to ensure you receive value for your drug benefit dollars." This initiative is rather unprecedented as it marks the first time a major private payer in Canada is placing significant emphasis on the Canadian Agency for Drugs and Technologies in Health's (CADTH) recommendations for products. It also places emphasis on "expert negotiation" to seek the best possible drug prices for their clients. This could mark a sea-change in the private payer landscape depending upon how other major carriers respond to this initiative.

[1] The Council of the Federation published updated lists as of August 31, 2015, available at: http://www.pmprovincesterritoires.ca/en/initiatives/358-pan-canadian-pharmaceutical-alliance.

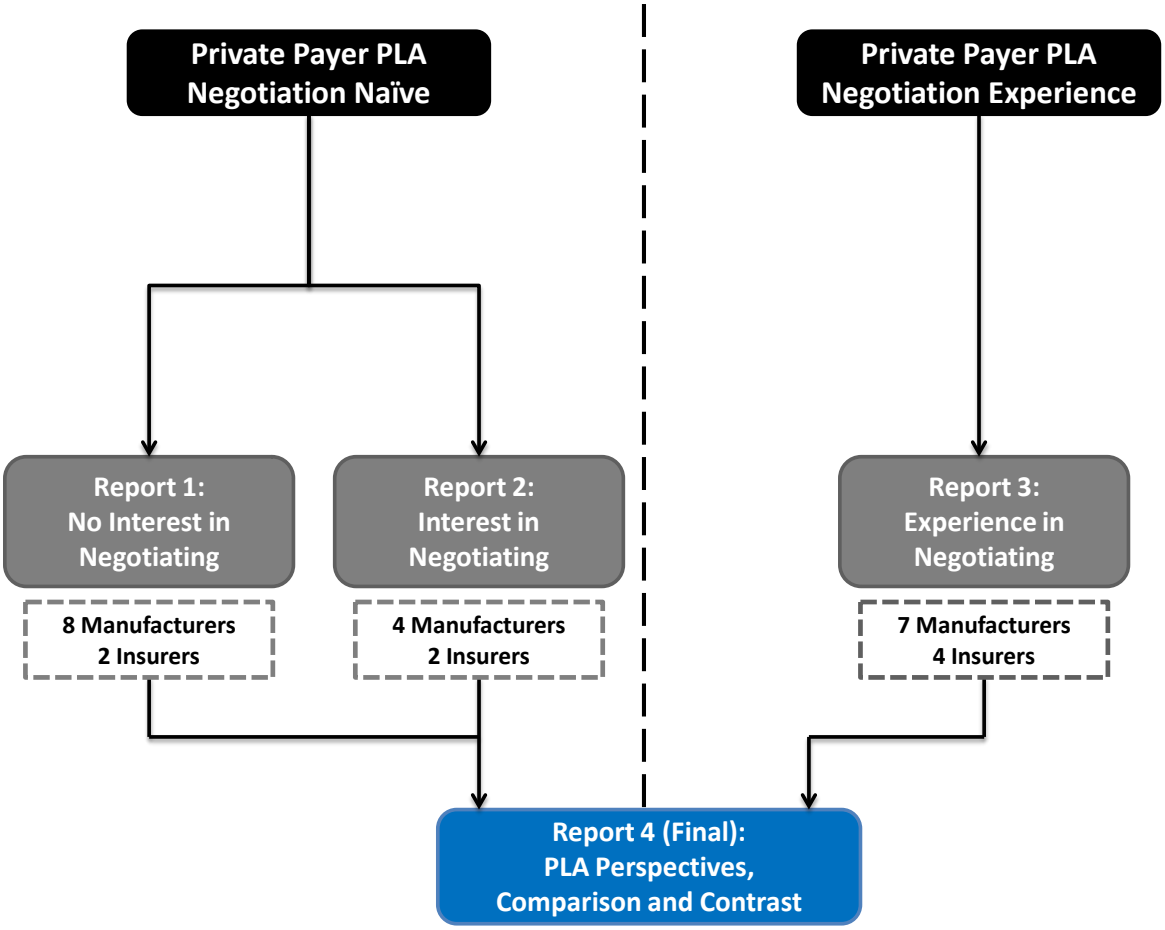
[2] Manulife DrugWatch™ brochure September 25, 2015

Background

In September 2015, PDCI Market Access (PDCI) and H3 Consulting (H3) issued three reports that summarize the findings from a survey of brand drug manufacturers and private payers (insurers and PBMs) focused on Product Listing Agreements (PLAs) in the private insurance market (see Figure 1). Between June 29 and July 17, 2015, 27 individuals responded: 19 manufacturers and 8 private payers.

The purpose of the survey was to gauge the interest, experience, and expectations among prescription drug stakeholders in Canada associated with negotiating private payer PLAs.

Figure 1. Breakdown of Survey Results and Accompanying Reports



This fourth and final report in the PLA series compares and contrasts findings from the first three reports and includes our outlook for the next few years based on respondent comments and our own market knowledge. We believe individual responses are candid and accurate, but as an opinion survey, readers must decide if the findings are representative of their peers and companies and both industry groups.

Contrasting Elements - Pharmaceutical Manufacturers

- Manufacturers may be reluctant to negotiate private payer PLAs because insurers and PBMs have rarely, if ever, resisted prices originally proposed by the manufacturer.
- Pharmaceutical manufacturers may be more interested in negotiating with larger private payers because they represent millions of plan members, or with specific payers like Medavie Blue Cross and Green Shield because they have been more likely to implement cost-control mechanisms in the past.
- Some manufacturers say their products have sufficient value at current prices. It is unclear whether private payers have assessed or agree with such claims.
- Manufacturers are most interested in using PLAs to secure preferential (rather than exclusive) listings or at least to eliminate any disincentive to use their product relative to a competitor.
- Manufacturers may be more concerned with ensuring PLA-based price or cost reductions flow to the patient's cost-sharing. This will require transparent accounting.

Contrasting Elements - Private Payers

- Private payers are not facing active pressure from their clients (employers) or benefit advisors to lower prices. It is not certain that the views of insurers and PBMs regarding PLAs are the same as employers, or how much diversity exists across the well over 100,000 Canadian group insurance contracts.
- The many payers that declined to participate said they did so on the advice of legal counsel, due to time constraints, a lack of interest in the survey, or that it was premature for them to participate.
- Private payers, particularly smaller insurers, do not have the resources in place to actively negotiate PLAs with the pharma industry. Pharmaceutical manufacturers are more experienced with PLAs because of their work with the pCPA, but may not have the resources required to also work with private payers.
- PBMs that administer provincial drug plan adjudication – Blue Cross, Green Shield and Telus – will need to ensure provincial and private market business units remain completely separate.
- Insurers and PBMs may wish to keep a share of price reductions as compensation for the cost of negotiating and managing PLAs. The amount retained and their willingness to disclose this information to employers and plan members are unknown at this time, but PBM experience in the US suggests transparency will be important.
- There are challenges ahead to consolidate negotiations among more than one private payer or at an industry level. Private insurers might eventually prefer to work with their provincial colleagues at the pCPA table, but neither side may be ready to begin those negotiations.

Comparison Elements- Pharmaceutical Manufacturers & Private Payers

- As of September, 2015, most pharmaceutical manufacturer and private payer groups surveyed have initiated or expect to initiate PLA negotiations.
- Both manufacturers and private payers are concerned with drug plan sustainability. The key PLA target for both is specialty products, though manufacturers are also interested in PLAs for other products.
- PLAs are likely to focus on price reductions rather than outcome measures. Payers may be willing to adopt the same clinical outcomes as provincial PLAs, or may want to explore other outcomes based on

productivity, improved health outcomes, shortened periods of absence, and disability plan use. This survey revealed that some outcome-based agreements have been completed.

- Some agreements prohibit the parties from revealing even the existence of the PLA.
- Workplace-focused measures will require considerably more research to demonstrate cause and effect or correlation between therapies and outcomes, whether at a patient or more global level. PLAs or other risk-sharing agreements in the US private market may provide a headstart for this analysis.
- Private market negotiations are likely to involve multiple parties, such as insurers and/or independent PBMs (Green Shield, Blue Cross, ClaimSecure), and potentially larger employers, unions in trusted plans and perhaps benefit advisors. The roles and logistics of these intertwining relationships will need to be considered. This potential complexity should be offset in part by somewhat simple agreements on the private side.
- Maintaining confidentiality may become challenging since private payers are likely to want to advise their market partners, clients, and distribution channels that lower prices are available through PLAs. To the extent that plan members are to benefit from lower prices on cost-shared medicines, those prices may need to be transparent in the retail or specialty pharmacy as well.

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Through his 20 years of experience working in consulting, associations (pharmaceutical and pharmacy) and industry, Arvind has developed an in-depth understanding of the Canadian and international pharmaceutical market access environment. At PDCI, he leads and provides strategic advice in the development of reimbursement submission dossiers that help clients demonstrate clinical- and cost-effectiveness to payers and health technology assessment agencies. Arvind has established expertise on emerging market access topics related to product listing agreements (PLAs), biosimilars, and drugs for rare diseases. He has published on a wide array of subjects ranging from companion diagnostics to healthcare reform. Arvind's payer research project work has helped establish a solid relationship with both public and private payer stakeholders in Canada and allows him to offer clients strategic advice to help negotiate PLAs. Aside from facilitating advisory board meetings and conducting training sessions on topics related to the Canadian market access environment, he also presents/moderates sessions at market access conferences and academic institutions.

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