



PRIVATE PAYER PRODUCT LISTING AGREEMENT SERIES

Report 1: Negotiation-Naïve & No Interest in Negotiating a Private Payer PLA

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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 from a different perspective, but are likewise 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 using an on-line survey between June 29, 2015 and July 17, 2015. Once closed, survey responses were analyzed and four summary reports were created, to be provided over the next few weeks.

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.

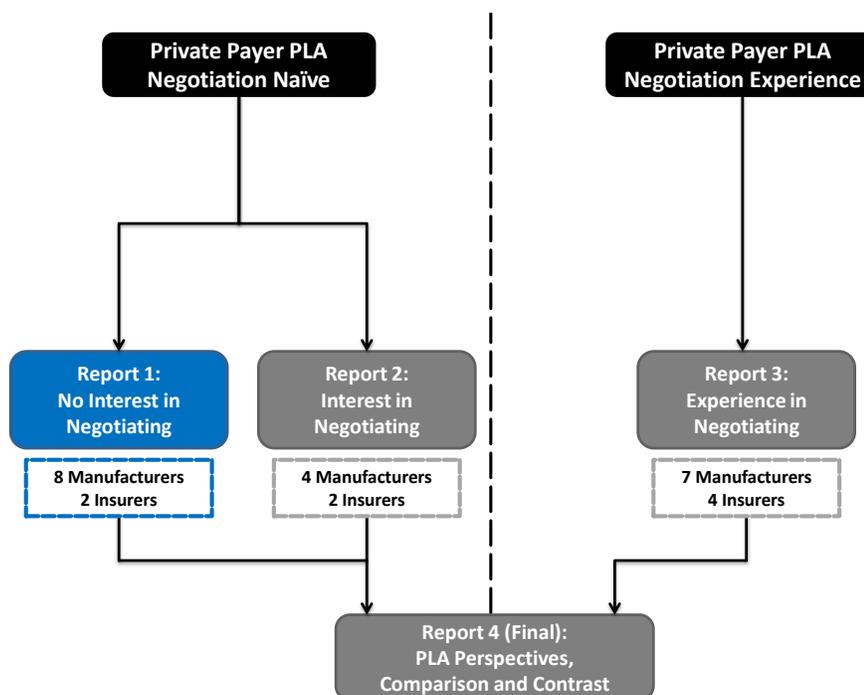
The survey consisted of questions to measure stakeholder’s interest, experience and expectation of private payer PLAs. Figure 1 provides a sample of the questions posed to stakeholders.

Figure 1. Sample of Questions Posed to Pharma and Private Payer Stakeholders



Each participant completed one of 3 surveys depending on their response to preliminary questions regarding their previous experience with private payer PLAs (Figure 1). 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 first phase of our study focused on participants who have not negotiated a private payer PLA and are not interested in doing so. We received a total of 10 responses (8 manufacturers and 2 payers) which represents 40% of the total responses to the survey.

4.1 Question A: Why have you not yet negotiated a PLA?

Comments were received from seven of the eight manufacturers and both the private payer respondents.

Lack of Necessity

“No need at this time.” – Manufacturer

“Haven’t seen any advantage to doing so - PLAs are structured in a way that locks you in at a time when competing offerings will be better priced.” – Private Payer

“No opportunity, no winning factors.” – Manufacturer

“In [our province], there is a pharmacy agreement between the provincial government and the pharmacies which regulates and limits the maximum dispensing fee that can be charged and the maximum ingredient cost and markup that is allowed. Pharmacists utilize this pricing regardless of the payer as it is integrated into their POS [point of sale] technology.” – Private Payer

Products Have Sufficient Value

“The cost / efficacy of our products consistently places our company at a competitive advantage and therefore a PLA is not needed. We see little value in straight pricing rebates but collaborative approaches around appropriate use may be of interest.” – Manufacturer

“Price provides excellent value.” – Manufacturer

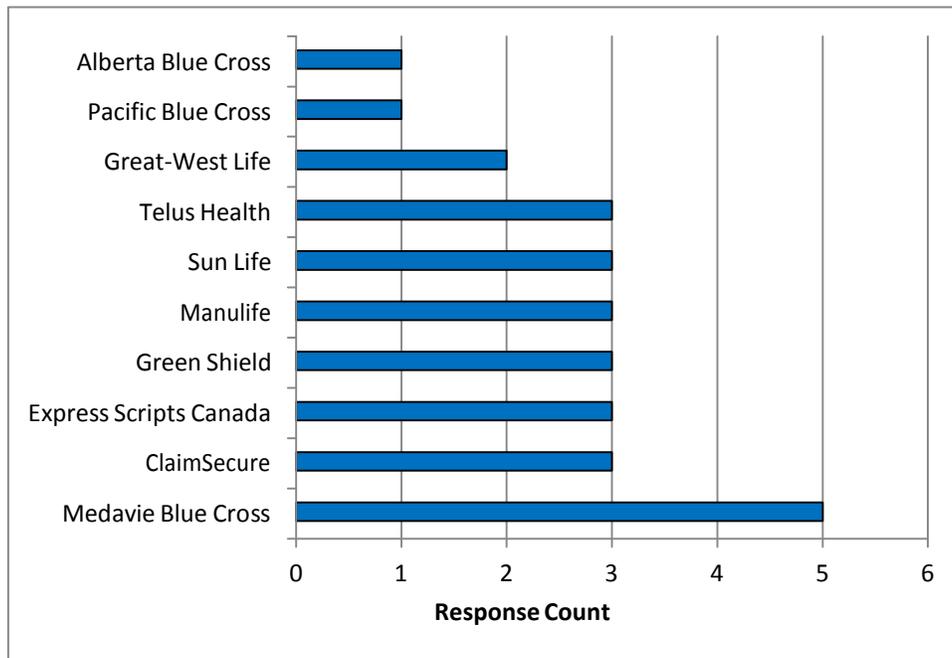
No Insurer Initiative

“Have not been approached by insurers.” – Manufacturer

4.2 Question B: Which private payers will require a PLA for listing?

In Question B, all manufacturer respondents (n=8) predicted which Canadian private payers may require PLAs in the near future (Figure 3). Of note, 5 of the 8 respondents think Medavie Blue Cross will be most likely to require a PLA. Medavie’s provincial colleagues in Alberta and BC are less likely to be named.

Figure 3. Question B: Which of the following private payers do you believe **will require** a PLA for listing in the next few years?



* Note: Four companies were not mentioned as likely to require a PLA – Desjardins, Equitable, Industrial-Alliance and SSQ. These payers were therefore deleted from the above Figure 3.

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

Seven of the eight manufacturers and both private payers were split on whether or not PLAs will become more prevalent in the near future. One respondent foresees joint negotiations involving several private insurers or the Canadian Life and Health Insurance Association (CLHIA).

Maintain the Status Quo

“We prefer to help patients directly with our patient support programs so we will continue to discourage this. We prefer to help the patients vs. a complicated and virtual leap of faith that a listing agreement will make any difference on premiums or access to medications.” – Manufacturer

“We do not anticipate any major changes [in our province] over the next 2 to 3 years as the current government appears committed to a single price regardless of the payer. More involvement in rebates by private payers may be something that will become important in the future.” – Private Payer

“For products with an appropriate cost/efficacy offering we believe that a PLA will not be required to gain listing.” – Manufacturer

PLAs will Increase in Importance

“Will increase... led by few carriers. Efficiencies and predictability will be difficult for both parties.”
– Manufacturer

“It’s growing in size.” – Private Payer

“PBMs will try and offer this as a cost-saving solution BUT it may get too complicated to implement in a timely fashion.” – Manufacturer

“Payers will look for opportunities but this is unlikely to help an employer with a high cost claimant.”
– Manufacturer

“Pooled, if they could get around [the] legal issue of collusion.” – Manufacturer

5 Summary

This report describes the responses of the segment of manufacturers and private payers that have not yet negotiated a private payer PLA and don’t expect to do this in the near future.

- Approximately 40% (i.e. 8 manufacturers and 2 payers) of the 27 survey respondents are included in this report.
- Both manufacturers and payers in this segment who provided comments agreed there was no need for private PLAs. Two manufacturers also believed their products demonstrated sufficient value at the market price and one said no insurer had yet approached his/her company.
- Medavie Blue Cross was identified as the private payer most likely to require PLAs in the near future. Most of the largest insurers and PBMs were identified with roughly equal frequency; Alberta Blue Cross, Claim Secure, Express Scripts Canada, Great-West Life, Green Shield, Manulife, Pacific Blue Cross, Sun Life, and Telus Health.
- Views surrounding the outlook of the private payer PLA landscape were mixed based on respondent comments. Of those who commented, approximately half believed private payer PLAs will increase in importance while the remaining half predicted the status quo will be maintained.

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 the level of interest in negotiating private PLAs in the future. We hope that this goal has been successfully achieved thanks to the contribution of the participants.

This is the first of four reports making up the ***Private Payer Product Listing Agreement Series***.

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Arvind provides strategic solutions to clients on market access-related issues throughout the entire product lifecycle. He leads the development of reimbursement submission dossiers that help clients effectively communicate the value proposition of new technologies to payers/health technology assessment agencies. Arvind offers clients advice to help negotiate product listing agreements with the pan-Canadian Pharmaceutical Alliance (pCPA) and public drug plans and executes direct payer research projects through primary research interviews with current and former payers across Canada.



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Chris assists organizations in developing workplace health strategy, and provides health policy research and analysis, specializing in pharmaceuticals and the private sector. Prior to establishing H3 in 1999, he enjoyed 18 years of progressive experience in the employee benefits industry.

Chris has extensive experience in conducting rigorous, practical research, facilitating meetings, and is a frequent writer and presenter on issues facing health service payers, pharma and policymakers. He has served on the Boards of three health care organizations and is an independent member of the Sanofi Canada Healthcare Survey Advisory Board.

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