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LONG-TERM VALUE IN A SHORT-TERM MARKET: IS EXCHANGE BUSINESS TURNOVER IMPACTING THE PHARMACEUTICAL VALUE EQUATION?

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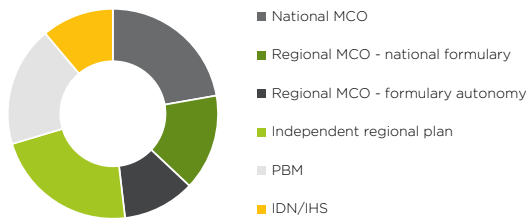
BACKGROUND

- The Affordable Care Act established federal and state health insurance exchanges to expand access to affordable medical coverage in the US.
- This research examines rates of switching among re-enrollees on the health insurance exchanges and compares to other lines of business.
- We then consider the time horizon over which US payers are willing to consider pharmacoeconomic value in formulary decision-making; the extent to which expectations pertaining to accrual of value differ for exchange as compared to other lines of business; and implications for manufacturers of products whose health gains or costs offsets accrue over the longer term.

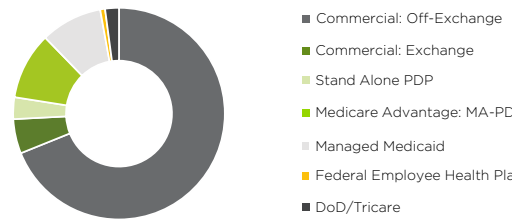
METHODOLOGY

- Secondary Research:** Review of publicly available reports from federal and state health authorities which include information and figures on rates of switching among exchange re-enrollees for the federally facilitated marketplace (FFM) and select state-based marketplaces (SBM).
- Primary Research:** Rapid web survey of US health care payers (N=27) responsible for pharmacy benefit management. Survey instrument designed to: (1) obtain self-reported plan-level data on rate of turnover by line of business, (2) quantify the time horizon over which cost offsets and health gains are considered by US payers when evaluating pharmaceuticals, and (3) explore implications for manufacturers in markets with high or increasing turnover.
- Sample Design:** Respondents represented managed care organizations (MCO), pharmacy benefit managers (PBM), and integrated payer/provider systems (IPPS) covering 107mn lives in total with a pharmacy benefit (excluding PBMs); including organizations both with (n=21) and without (n=6) exchange business (for comparative purposes). N=19 identified as Pharmacy Director; 8 as Medical Director.

Organizations Represented



Lives Represented



RESULTS

SECONDARY RESEARCH RESULTS

Table 1. Switching of Plans or Insurers by Exchange Re-enrollees

	FFM Average	FFM State Range	SBM (Available Data)
2014-2015 Open Enrollment	29% ²	11-37% ³	CA: 6% Insurers ² CO: 18% Insurers ² RI: 62% Plan or Insurer ²
2015-2016 Open Enrollment	43% ³	19-73% ³	OR: 28% Plan ¹

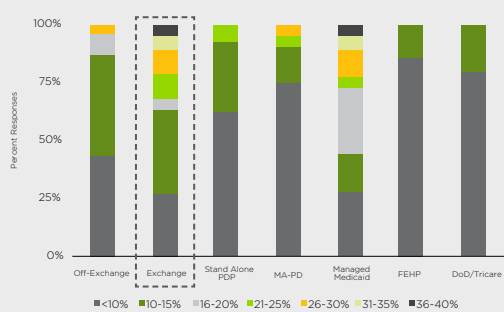
Table 2. Historical Benchmarks for Other Lines of Business

Employee Sponsored Insurance (2010)	2.8% ³
Federal Employee Health Benefits Program (2001)	12% ³
Medicare Drug Plans (4 Enrollment Periods)	13% ³

- Federal and state data indicates higher rates of switching of insurer/plan by exchange re-enrollees as compared to other lines of business.
- There is wide variation in turnover of exchange members at the state level.

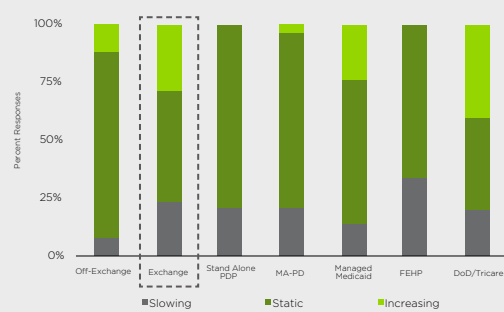
PRIMARY RESEARCH RESULTS

Figure 1. Self-reported plan turnover (2015-2016), by line of business



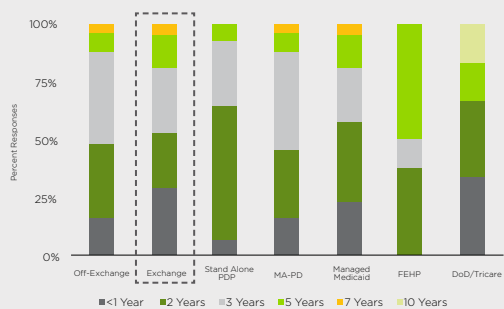
- Plan-level data confirms higher turnover for exchange as compared to other lines of business; surpassed only by Managed Medicaid
- There is wide variation in exchange turnover at the plan level

Figure 2. Self-reported trend in turnover, by line of business



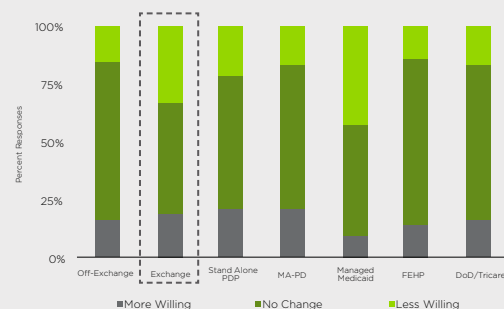
- Twenty-nine percent (29%) of surveyed payers with an exchange line of business indicate an increasing trend in exchange business turnover; surpassed only by DoD/Tricare (40%)

Figure 3. Time period over which cost/resource offsets and health gains are considered meaningful, by line of business



- Except for federal employee and military plans, more than seventy-five percent (75%) of respondents indicate that cost/resource offsets and health gains must accrue within three years in order to be relevant or meaningful for formulary decision-making

Figure 4. Trend in willingness to pay today for long-term cost/resource offsets and health gains, by line of business



- Thirty-three percent (33%) of surveyed payers with an exchange line of business indicate that their organization is becoming less willing to pay today for long-term value; surpassed only by Managed Medicaid (43%)

CONCLUSIONS

- It can be challenging for manufacturers to substantiate the long-term value of treatment innovation to US payers due to turnover of insured populations. Across lines of business, the majority of US payers consider cost offsets and health gains meaningful only if accrued within three years or sooner.
- There is variability in exchange business turnover at a state and plan level, with relatively high rates in some markets vs. other lines of business and more comparable rates in other markets. In markets with relatively high exchange turnover, there may be an impact on willingness to pay today for long-term pharmaceutical value on the part of some payers. We suggest that the issue may be addressed locally. Strategic options for manufacturers will depend on the differential characteristics of the disease; linking the intervention to nearer-term offsets and health gains is a preferred approach.

Sources: OR Health Insurance 2016 Report Addendum (2016), Ahn S. Six State Experiences with Marketplace Renewals (2015), Dleire T. APSE Issue Brief 2015

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