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 (FFP) 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 collect data on payer behavior in exchange markets over 12 months.
- The survey asked payers to quantify the time horizon over which cost offsets and health gains are considered by US payers when evaluating pharmaceuticals, and to explore implications for manufacturers in markets with high or increasing turnover.
- Sample Design: Respondents represented managed care organizations (MCO), MCO managed benefit programs (FBPM), and integrated payer/provider systems (IPPS) covering 10+ lives in total with a pharmacy benefit (excluding PBP); including organizations both with (n=20) and without (n=6) exchange business (for comparative purposes).

RESULTS

SECONDARY RESEARCH RESULTS

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

<table>
<thead>
<tr>
<th>Plan Year</th>
<th>Average</th>
<th>State Range</th>
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</thead>
<tbody>
<tr>
<td>2014</td>
<td>29%</td>
<td>9-37%</td>
</tr>
<tr>
<td>2015</td>
<td>31%</td>
<td>16-36%</td>
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</tbody>
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Table 2. Historical Benchmarks for Other Lines of Business

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Average</th>
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<tbody>
<tr>
<td>PDP</td>
<td>19-73%</td>
</tr>
<tr>
<td>MA-PD</td>
<td>43%</td>
</tr>
<tr>
<td>Managed Medicaid</td>
<td>19-73%</td>
</tr>
</tbody>
</table>

PRIMARY RESEARCH RESULTS

- Twenty-nine percent (29%) of surveyed payers with an exchange line of business indicate that their organization is becoming less willing to pay for new pharmaceuticals without (n=6) exchange business (for comparative purposes). N=19 identified as Pharmacy Director; 8 as Medical Director.
- Federal and state data indicates higher rates of switching of insurer or 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.

CONCLUSIONS

- It is 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. This poses significant challenges for pharmaceutical manufacturers whose products accrue longer-term offsets and health gains.
- 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. In markets with relatively high exchange turnover, there may be an impact on willingness to pay today for long-term pharmacoeconomic 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.

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