White Paper

Aligning Incentives for IDN Specialty Pharmacy Collaborations

Market Access Insights from MMIT

As specialty drugs promise to veer in the direction of more limited distribution and even higher price tags, providers are evolving their own response. Several integrated delivery systems have beefed up their in-house specialty pharmacy capabilities to the point where they are gaining accreditation and contracting directly with pharmaceutical manufacturers and payers. MMIT research indicates many more are on the threshold of taking similar initiatives as IDN leaders begin to tout success in the specialty pharmacy realm.

Aligning Incentives for IDN Specialty Pharmacy Collaborations

Integrated delivery networks (IDNs) are enjoying a new wave of attention from pharmaceutical manufacturers, insurers, employers and vendors eyeing them for potential collaborations. IDNs are each one-of-a-kind groups of provider entities that have aligned themselves in service to their patient populations. The differences between them are so significant as to make them difficult to define, yet all IDNs find themselves reaching for similar solutions to address their common challenges in today's health care climate.

The high costs of specialty pharmaceutical products are widely recognized as a key component of escalating health care costs, with even more expensive drugs in the pipeline. Manufacturers, payers and employers are all scrambling to share risk and spread the burden, working on brand new reimbursement models to spread payments out over time. The result of many reimbursement models is that perhaps too much financial burden is borne by patients and providers.

Some IDNs, in their dual roles as leaders in the provider sector and as patient advocates, are responding to this crisis by developing their existing capabilities to create full-blown specialty pharmacies.

This evolution converges with other industry trends — technology and data advances, new reimbursement models, narrow networks, centers of excellence — all driven by the pursuit of value. Scores of value-based contracting schemes initiated by providers, insurers and employers pepper the landscape. Even as designs continue to evolve, the existence of such agreements is a standard feature of commercial and public-sector benefit offerings.

IDN-Owned Specialty Pharmacies Emphasize Collaboration

Fairview Specialty Pharmacy in Minneapolis is an example of an established, accredited, growing IDN-based specialty pharmacy that contracts with major payers in its region, including IDN-sponsored payers like HealthPartners and Kaiser Permanente. HealthPartners, with 90 facilities and 18% of the medical covered lives in Minnesota, has learned so much from its collaboration with Fairview that it is now on the cusp of creating its own internal specialty pharmacy offering. This type of sharing and learning between health care entities is a hallmark of IDNs, which all identify collaboration as a core value.

Another IDN that has taken big strides into specialty pharmacy is Vanderbilt University Medical Center in Nashville. VUMC epitomizes the IDN core value of collaboration because it is promulgating its recipe for success in contracting with manufacturers. Vanderbilt Specialty Pharmacy has collaborated with drug companies to perform outcomes studies and leveraged its learnings from the experience. The system wants to share those takeaways with other IDNs, and to that end it held a summit — drawing 43 different health systems — in March 2019 to share details of its methodology and inspire similar collaborations.

IDN-owned specialty pharmacies can point to the industry dynamics that led them to build up their specialty pharmacy programs:

- The number of limited-distribution drugs (LDDs) is exploding, and mandated specialty pharmacy carveouts create barriers to access. IDNs are on the front lines of where limited distribution can equal limited access for their patients, and they believe they offer many advantages as a limited-distribution vendor.
- IDNs have extremely tight margins and cannot afford to bring high-cost specialty products to their patients if there are too many points in the distribution chain between manufacturer and patient. The costs are felt in time to delivery as well as acquisition costs and lost revenue potential.
- System pharmacists are face-to-face with the practitioners and patients awaiting a therapy, and they see first-hand the impact of fragmented care on patients, particularly around oncology and other specialty pharmacy indications.
- The multitude of initiatives around population health management and social determinants of health all pivots on provider data. IDNs view the data from both pharmacy and medical sides and can leverage their platforms to follow patients throughout the continuum of care.
- Pharmaceutical manufacturers are seeking collaborators on outcomes research. IDNs are finding they can apply learnings from these studies to demonstrate the value of their own specialty pharmacy capabilities. This in turn allows them to capitalize on their specialty pharmacy proficiencies to enhance their value to payers and drug companies alike.
- IDNs have many different types of care sites and system portals applicable to drugs, and a need to coordinate among them. Those include home infusion and delivery services, infusion facilities, acute care and rehab institutional pharmacies, physical walk-in pharmacies, and wings or clinics focused on therapeutic categories such as oncology/transplant/fertility. After years of consolidating to solve for fragmentation, integrated specialty pharmacy is a logical next piece of the puzzle for many IDNs.

These factors are in play at all IDNs to varying degrees, and most large systems have onsite specialty pharmacy units to serve distribution and administration needs within the system. Many are approaching a decision point as to when/whether to take next steps toward gaining specialty pharmacy accreditation.

Sharing and learning between health care entities is a hallmark of IDNs, which all identify collaboration as a core value

IDNs often have heartfelt social missions and many are aligned with a religious or academic institution. They are bound to their communities geographically and economically, not only as providers but as employers, workers and family members. The motivation that comes from this perspective is a significant factor behind the early success that some have found with their specialty pharmacy ventures.

IDN-owned specialty pharmacies point to specific achievements and capabilities that allow their system priorities to align with the goals of manufacturer partners:

- IDN-owned specialty pharmacies claim to achieve significantly faster turnaround time to get medication delivered to the patient than they have experienced with outside specialty vendors. Even when the IDN must go to another specialty pharmacy to obtain the drug, they assert that delivery time is improved.
- Pharmacists share data with system physicians on all aspects of a drug. The wide array of insights adds up to a prescriber base that feels informed, supported and confident

in using the product. IDNs claim to generate higher physician buy-in on both study participation and prescriber uptake than can non-provider entities.

- IDNs can adapt to site-of-care requirements, and changes to those requirements. System personnel are qualified to optimize site of care based on specific patient needs.
- IDNs can collect non-medical data on patients and address social determinants of health to further enhance industry understanding of the way a therapy works. They are motivated by their missions to quickly resolve issues that could easily derail a good outcome.
- Some IDNs are agile enough to customize electronic medical records (EMR) systems for specific indications or products, to insert encounter questions for data collection, to determine and report adherence issues, and to enforce clinical pathways.

This feedback cycle brings high value to all stakeholders, since each patient that completes appropriate therapy with a good outcome is an opportunity for all involved to prove value.

Sticking Points Abound

Many different stakeholders recognize the contributions that IDNs can bring to partnerships, but there is no single template for IDN collaborations. IDNs report being just as frustrated as their trading partners with the length of time it is taking for deals to become finalized, and the number of attempts that end up going nowhere despite what appear to be aligned objectives.

The cultural differences between health care segments are vaster than expected, especially by professionals who are experienced with writing and implementing drug distribution contracts. This is exacerbated by the fact that each IDN has its own character and competencies.

If you've seen one IDN you've seen one IDN — exactly what was said about independent specialty pharmacies in prior decades, by the way. It's a key hurdle to contracting, since agreements will largely be neither scalable nor comparable. At the same time, if you can't find what you need at one IDN it may be worth it to continue looking. After an initial relationship is established, partners tend to find other ways to help one another, and that is occurring for IDN specialty pharmacy partnerships.

Negotiators need to start the conversation with an agreed-upon, shared vocabulary. All stakeholders point to communication breakdowns as being a surprisingly common reason why deals fall through.

IDNs are appealing to all potential trading partners to keep their goals of patient-centric care and collaboration at top of mind. That may require adjustments to communication style.

Seeking Real-World Evidence

Manufacturers need the high-touch administration and longitudinal view that IDNs bring to demonstrate real-world value of their products. They need it to gain coverage from payers, and several IDN specialty pharmacies have already completed outcomes studies that demonstrate the real-world evidence that payers seek, as well as their own competence.

IDNs claim to generate higher physician buy-in on both study participation and prescriber uptake

By utilizing the system EMR to follow the patient over time and across care sites, IDNs have shown they can achieve outcomes that validate results from clinical trials. IDN-owned specialty pharmacies claim to deliver outcomes data that much more closely matches manufacturer expectations, compared with products administered in a more traditional, fragmented manner. This can help protect products from unanticipated adverse events, and quickly manage surprises.

New information obtained in this environment comes with a high level of trust and can inform manufacturers further on appropriate use and

potential additional indications, which can become a shortcut to greater access.

Some IDN specialty pharmacies are ready to help pharmaceutical companies manage a new product rollout, even when a limited-distribution strategy is deemed necessary. The additional data they bring can help manufacturers develop a more effective narrative surrounding a product, with a positive impact on the utilization experience of the drug way beyond the population of a single IDN.

System pharmacists are face-to-face with those awaiting therapy, and they see first-hand the impact of fragmented care

What should manufacturers expect when partnering with an IDN specialty pharmacy? Number one of course is to help the IDN gain better access to drugs, e.g., quicker and cheaper. That is an oversimplification, however, and the reason why progress has been so slow. Many efforts at IDN-pharma negotiations have stalled due to lack of understanding of perspectives.

To align goals and increase understanding of IDN perspectives, manufacturers may wish to:

- Consider embedding personnel to support the use of products within the system and advise IDN staff. Personal relationships that develop between the on-site pharma rep and IDN pharmacist are key to the success of these collaborations, particularly when those personnel are chosen carefully and, as a team, develop the trust and communication shorthand that oils the machine.
- Perform a full capabilities analysis with each IDN, remembering that no two IDNs are alike. Don't assume!
- Be open to studies that measure overall improvements in quality of care, cost savings, etc., beyond their own company's agenda.
- Think about providing support to help IDNs develop internal data capabilities and help them monetize patient data.
- Offer additional support for the IDN's social missions, community programs and charities.
- Anticipate that negotiations will be arduous, and contracts painfully detailed, at first. One-size-fits-all templates are a recipe for disaster at this point. Finely clarify the roles of each person, the timeline and objectives.
- Be more responsive. IDN personnel complain about drug companies that don't answer emails promptly. Communicating with drug companies may be only one part of an IDN pharmacist's job, so it's key to manage expectations around this type of issue.
- Involve IDNs in planning for product launches. Give these partners time to prepare their data collection systems for information specific to a new product.

The overarching theme is that IDNs would like their partners to demonstrate awareness of their patient-centric focus and to be willing to customize deals to take full advantage of each system's unique contributions.

Insurers Build on Existing Relationships

Health insurers can benefit from IDN specialty pharmacies' efforts to optimize therapy and address adherence issues via the system EMR. Vanderbilt Specialty Pharmacy, for example, has been able to leverage its pharmaceutical outcomes research to improve access and adherence, achieve significantly better therapy optimization and save money — results that align with payer objectives.

Site-of-care optimization is a proven strategy to improve health and reduce costs. IDNs are uniquely suited to provide this without conflict and can also bring insights to payers trying to use this strategy in benefit design to save money without detriment to care.

IDNs are known partners to the payer community, as they already serve in health plan networks as centers of excellence for conditions such as back pain, knee replacements and transplants. Major insurers have also entered into accountable care agreements with IDNs and these deals will continue to proliferate.

Where a payer already has an established provider contract with an IDN as a provider, it may or may not require additional paper to take full advantage of the IDN's specialty pharmacy capabilities, depending on how integrated they are. An IDN with a highly integrated specialty pharmacy might provide an incentive to bring it into the network, as the following plans already do with Fairview Specialty Pharmacy: Blue Cross and Blue Shield of Minnesota, HealthPartners, ITASCA Medical Care, Kaiser Foundation Health Plan, PreferredOne and UCare.

Integrated specialty pharmacy might be an incentive for smaller plans to contract with large IDNs outside of their primary service area. Just as some plans contract with large systems for specific procedures, they may want to use that ploy to gain access to new and limited-distribution therapies.

To get the most bang for their buck, health plans should verify that incentives are aligned throughout the continuum of care. And they should confirm that the IDN can provide access to manufacturer-provided assistance programs for their patients when warranted.

Payers Protect Intellectual Property

Intellectual property rights, which should be addressed in every contract, are a sticking point with health insurers particularly. IDNs, especially academic systems, have an imperative to share knowledge and publish papers. They just do.

IDNs must publicize their initiatives for fundraising and to market directly to patients by touting their partnerships and results. They will measure patient satisfaction as it correlates to new therapies and other patient care initiatives. Publication of data can be co-branded.

Payers that have determined that an IDN specialty pharmacy can bring value to their business should be open to sharing data in ways that will benefit the IDN community; fortunately, this includes the plan's own members. Conversations between insurers and IDN specialty pharmacy should break down what data from each effort will surface to any entities that are not part of the project. At the same time, negotiators should discuss what data may be brought in by the IDN that will enhance the effectiveness and payer insights from the project. All parties should be willing to delve into the level of detail necessary to identify what really needs to remain proprietary, while looking for ways to use other data in a collaborative manner.

> ***"We want to own the data. We just do."*** *— health plan pharmacy director*

Some IDNs have a health insurance arm, and in fact half of all health plans are provider-sponsored. In their insurance offerings as in everything else, IDNs want to share. Experience as a health plan can provide more insight into the payer perspective. IDNs with more payer lives get better deals from manufacturers, and IDN specialty pharmacies confirm that they are leveraging their system employee plans in their deals with pharmaceutical manufacturers.

IDNs that are evolving their specialty pharmacy units are not necessarily those that already own a health plan, but as they grow in the specialty pharmacy realm they may find it a tipping point toward adding a health plan.

Employers Drive Search for Value

Employers have a similar perspective to IDNs because their goals are also patient-centric. Their loyalty is to their populations and not to any insurer or provider.

There is no shortage of horror stories about how fragmented health care delivery has adversely affected patients by delayed therapies, unnecessary suffering and wasted resources.

Insurers, PBMs and specialty pharmacies have all had occasion to get an earful from irate employers when they learn that the care they pay so much for is failing their beneficiaries. There is widespread concern about the prevalence of low-value care.

The quality and cost concerns that drove IDNs' specialty pharmacy initiatives are the same issues driving employers straight into IDN arms. Employers rank specialty pharmacy as a top driver of benefit costs, and there is a lot of scrutiny and suspicion around the value of drugs covered under the medical benefit. Employers currently seek real-world evidence and results around adherence as the basis for value-based agreements.

Employers today are more interested in the perception of quality among beneficiaries than they are in being able to scale services nationally or over a large region. That is why self-insured employers are contracting directly with IDNs as providers with value incentives, even when most of the network is rented. IDNs are also providing customized, community-based services such as worksite clinics, flu shots and wellness programs for employees. This type of working relationship engenders loyalty and strengthens the impact that an IDN can have. Business groups and other employer advocates indicate that integrated specialty pharmacies may become a feature that self-insured groups are looking for.

IDNs as Disruptors?

Traditional specialty pharmacies are paying attention to IDN-style service models, and contract research organizations are eyeing their outcomes results with some concern.

Hands-on patient care is a trend even in chain retail pharmacies, so it's not a bad time for specialty pharmacies to re-evaluate their models. The spectrum of delivery from high-touch to mail-order can always be revisited, as there is a fine line between efficiency of scale and dropping the ball in a way that invites a poor outcome.

All specialty pharmacies may wish to look to their IDN counterparts as models for ways in which the delivery and management of specialty pharmacy products can be improved.

> ***"If specialty pharmacy was perfect we wouldn't be getting into specialty pharmacy"*** *— IDN pharmacy executive*

Independent and PBM specialty pharmacies can choose to support IDN specialty pharmacies, who have made it clear they can use more cooperation on tightening up time to delivery. The escalation of LDDs is increasing competitiveness throughout the specialty pharmacy arena, and the emergence of IDNs as players in this field is clearly disconcerting to some established entities. As previously discussed, IDNs are each unique, which means they have different strengths and weaknesses, which could become opportunities for those with longer experience — this opportunity extends to all kinds of vendors.

Not all IDNs are going to create a discrete specialty pharmacy entity, but all must deal with the same industry dynamics. It is clear that at least some IDN-owned specialty pharmacies have been able to raise the bar when it comes to delivery, administration and pricing of high-touch therapies, and they have the studies to prove it.

There may be opportunities for at least some other entities in the pharmacy space to align with them in some manner, and the IDN collaboration credo dictates that they are likely interested in hearing those pitches.

Industry Reverberations

Provider margins are thin, pharmacy margins are thin, and IDNs that ramp up specialty pharmacy proficiencies are probably not tapping in to a flood of revenue. Their motivation is more about better patient care, better access and trying to achieve those goals on a budget.

One result of provider-based specialty pharmacy initiatives is a shift to a more patient-focused archetype, largely from reliance on the EMR as the primary driver of decisions. Interestingly, this is helping to further define some aspects of specialty pharmacy that have remained unresolved, such as: Are oral oncolytics specialty drugs? Is a chronic disease a determinant of whether a product is deemed specialty? Are all orphan drugs specialty?

Among IDN specialty pharmacies there seems to be consensus that specialty status is not determined by the complexity of the therapy as much as by the high-touch needs of specific patients. IDN pharmacists are looking for ways to further leverage their system resources to apply high-touch care to chronic disease management regardless of whether specialty and infusible drugs are used.

Berkshire Health Systems in fall of 2018 expanded its specialty pharmacy program into diabetes care and now plans to extend the model to other chronic diseases. Dignity Health is looking to use specialty patient management strategies and population health techniques for COPD and other conditions.

When the cost of some therapies becomes so high as to require long-term, outcomes-based reimbursement schemes, manufacturers and payers will have to tighten up their incentive alignments even more. They will be looking for providers that can build treatment pathways, track patients over a long period of time, track and support adherence, optimize dosages and sites of care and report outcomes.

Examples and viewpoints expressed in this paper were garnered from conference presentations and conversations with attendees during spring 2019 with executives from IDN-owned specialty pharmacies, pharmaceutical manufacturers, business groups, independent specialty pharmacies and population health vendors.