



Is Payment Innovation Keeping Up with Therapy Innovation? A New Taxonomy of Innovative Payment Solutions to Aid Effective Implementation

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Background

What and how we pay for new medicines impacts which therapies are developed, adopted, and accessed by patients. While scientific advancements offer opportunities for better patient outcomes, they also present new challenges – particularly to payers – for value assessment and affordability.

Aims

- Explore how to enhance the effective use and implementation of Innovative Payment Models (IPMs) rooted in a problem-based approach.
- Illustrate the feasibility of IPMs and practical steps for their implementation with relevant case studies.

Methods

We conducted targeted literature searches of peer-reviewed and grey literature. We synthesised the evidence into a taxonomy of challenges faced in drug pricing / reimbursement and corresponding innovative payment solutions.

Building Blocks for Effective IPM Implementation

1 ARTICULATE THE CORE PROBLEM

Identify if there are contracting issues related to budget impact, uncertainty, or the scope of cost-effectiveness assessment.

2 MAP PROBLEMS TO POTENTIAL SOLUTIONS

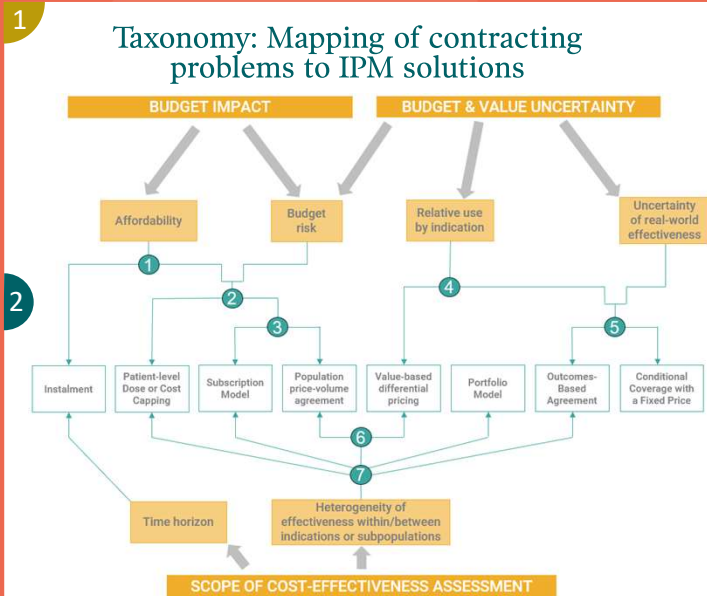
Are IPMs available to address problems? If there are several, can IPMs be combined to address multiple problems?

3 ASSESS FEASIBILITY OF IMPLEMENTATION

Legal, administrative, and IT hurdles can challenge IPM implementation, but these can be (and have been) overcome.

4 PAYER-MANUFACTURER COLLABORATION

Multiple contracting options and designs may be available. The parties must work together to find a feasible 'win-win' solution.



3 Making Progress on IPM Implementation

Key challenge	Solution
Inadequate data infrastructure or governance	Routes to advance IPM solutions can be sensitive to differing environments and infrastructure. Data collection systems should be accessible, simple, and add little burden to physicians.
Contractual complexity and implementation cost	Simple design choices can minimise challenges, as evidenced by case studies.
Shared understanding among stakeholders of the problem and IPM solutions	The taxonomy offers a good starting point by linking payer concerns with IPM solutions. Engagement and collaboration between payers, manufacturers, and providers is key. Early experiences should be leveraged to foster a shared understanding of the realised benefits.

Experiences with IPMs demonstrate successful implementation in practice:

- OBA between Genentech & Priority Health addressed uncertainty and successfully navigated issues around data requirements, privacy, and government price reporting.¹
- Subscription agreements between manufacturers of DAAs and Australian payers increased patient access and addressed cost-effectiveness & budget impact concerns.²
- OBAs and/or instalment models for high-cost gene therapies *Zolgensma* and *Luxturna* have effectively addressed payer challenges around uncertainty and budget impact.^{3,4}

The innovation landscape is shifting. Increasingly, high-cost drugs that act in new and complex ways or treat smaller patient groups, raising concerns for payers around budget, cost-effectiveness, and value uncertainty. As data infrastructure and other enablers of successful IPM implementation become more widespread, IPMs will play an ever-growing role, supporting patient access to cost-effective and high-quality medicines and sending efficient signals to drug developers.

4 Next Steps

- As drug development pipelines evolve, there is an **urgent need for payment mechanisms to keep pace**.
- By addressing the key problems arising in assessing or paying for innovative drugs, IPMs can **benefit all system stakeholders**.
- **Enabling factors** are in place for more widespread adoption of IPMs in many health systems.
- Recent **case studies highlight successful implementation of IPMs** to address contracting problems.
- The taxonomy may serve as a **resource** for payers to navigate the complex landscape of IPMs and make informed decisions, along with clear steps to ensure successful implementation.

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2 Decision Guide Innovative Payment Models

Contracting Question	How to proceed in the decision diagram	Model Category	Description
1. Is the issue how costs are incurred over time?	Yes → 1 No → 2	Instalment	Payments are split into several instalments spread over time.
2. Should cost containment apply at the individual- or population-level?	Individual-level → 2 Population-level → 3	Patient-level Dose/Cost Capping	The cost or reimbursable doses per patient is limited on the patient-level.
3. What are payer and manufacturer preferences for trading-off Cost-Effectiveness (CE) risk & Budget Risk (BR)?	Prefers (relatively) high CE-risk, low BR → 3 Prefers (relatively) low CE-risk, high BR → 4	Subscription	A fixed payment grants the payer unlimited access to a particular drug for a given time.
4. Does effectiveness differ between discrete and well-defined subgroups?	Yes → 4 No → 5	Population Price Volume Agreement (PVA)	The unit price of the pharmaceutical product depends on the volume purchased at the population-level.
5. Should the price be adjusted retrospectively in light of new evidence?	Prefers (relatively) low CE-risk, high BR → 5 Prefers (relatively) high CE-risk, low BR → 6	Value-Based Differential Pricing (VBDP)	The price depends on the subgroup in which the medicine is used, such as 'Indication-Based Pricing'.
6. What is the appropriate model in the context of other contracting challenges?	Model choice is driven by other factors such as uncertainty and implementation costs → 6	Portfolio Model	A bundle (or 'portfolio') of medications can be purchased at an agreed 'overall' price.
7. What is the appropriate type of price discrimination (PD) for the situation?	Two-part tariff or lump sum → 7 Individual-level 2nd degree PD → 7 Multi-product bundling → 7 1st degree PD → 7	Outcome-based Agreement (OBA)	Agreement tying payment to clinical outcomes achieved in real-world practice.
		Conditional Coverage with a Fixed Price	Product is covered for a set time at a fixed price, conditional on further evidence collection on the drug's effectiveness or use.

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