

Manufacturers & Value Based Contracting with Payer or Risk-Holding Entities – An “SME” CASE STUDY



Value Based Contracting with Manufacturers Requires Greater Perspective

Manufacturers have been entering into “Value Based Contracts” (VBC) for at least the past 20 years, with a few notable successes and many stumbles along the way. Today’s agreements are primarily traditional rebate arrangements, with pricing contingencies based on achievements measured by a specific metric. There are countless challenges regarding the timing of the product’s use, the achievement of the results, and financial impact occurring in a single fiscal year.

Manufacturers must understand incentives built into the relationships between payers and providers, how risk is transferred and the management of care is rewarded. The use of a particular product can be detrimental or beneficial to these ends--- in either a clinical or financial context ---whether at the patient or population level.

Because the data that illustrates the value (or lack thereof) is locked inside of non-contiguous data silos, typically not shared between payer and provider, many of the most important clinical and cost-effectiveness questions may go unanswered.

This Case Study describes a collaborative VBC project between a manufacturer and targeted payers that illustrates how a manufacturer can offer a lower product discount when a drug produces a favorable outcome and a higher discount when less impressive outcomes are encountered. The VBC is enabled only after an initial “baseline” project is completed in which the parties calculate metrics, assure data are sound, and after the parties assure available, competent staff can administer the VBC.

This Case Study uses a fictitious product, CDIFFEX, that reduces recurrences of Clostridia Difficile diarrhea. Many other VBC designs are possible!

Project Snapshot –

Methodology: Each unique project undergoes the same basic process before it can be proposed to and implemented by any number of project partners who may independently elect to participate.

1. **Project Definition Phase.** SME Health Systems resources work directly with the manufacturer and its team of consultants and managers to define the needed flexible data container for this project. At this phase the data fields sought¹ and the flow of collection are mutually agreed.

1. The data required for this project are extracted from the Payer’s (MIS) Management Information System reporting at a Population Health Level, with sublevels including metrics for key hospital or health systems and key plans, based on Book of Business.



The screenshot shows the MySME Manager interface for VBC_PAYER_CDIFEX_REF. It includes a search bar for period names and a table titled "CDIFEX VBC Prior Results Table".

Open	Period Name	CDIFEX Rxs	CDIFEX Units	CDIFEX Recurrence Rate	Refund Pct Earned	Refund Amount Requested
Open	1/31/2017	150	2395	16.090000	10.000000	20454.920000
Open	2/28/2017	164	2638	16.280000	10.000000	32490.420000
Open	3/31/2017	164	2638	16.280000	10.000000	32490.420000
Open	4/30/2017	151	2412	17.050000	10.000000	20558.420000

2. VBC Form Design Phase. VBC forms are designed for data collection, and modified based on feedback from the sponsor. (Again, this VBC has a predecessor project to generate baseline data. That project assures that the partner can successfully gather the requisite data and apply needed competent resources.)

3. VBC Form Testing Phase. The forms are tested for flow and data output for future analysis.

4. VBC Project Launch Phase. The forms are ready for the sponsor to send to project partners for consideration.

5. VBC Partner Engagement, Project Proposal & Acceptance. After an introductory discussion around mutual interest, the project is proposed by the manufacturer as a Project Sponsor and is voluntarily accepted by Payer or Risk-Taking Provider as a Project Partner. The parties share a standard Master Service Agreement and Project Agreement, using MySME Manager™. Once they accept the project, they can begin to collect data, and submit VBC invoices, as agreed.

6. VBC Project Administration.

- **Baseline Data is Imported to Establish Metrics.** Metrics are collected during the baseline phase from the Payer's MIS system and/or subsystems, these reports are used to create an export to a desktop (*.txt, *.xls) format. These results are imported into the VBC project forms. *This is only done one time.*
- **Monthly Results are Measured Against Baseline to Calculate an Amount Due.** The same MIS report is run for the period in question (once most or all of the claims are in and paid) as soon as feasible after the close of each month, compared against the baseline, and an invoice result is created.

7. Regularly Scheduled Project Meetings. As the life of the VBC arrangement proceeds, the parties hold touchpoint / Project Meetings on a scheduled basis (monthly or quarterly or as otherwise necessary) at the Partner's site to track progress and discuss any concerns identified.

How Parties Benefit from VBC Project Enablement

SME Health Systems Offers

- A technical framework and help desk (MySME Manager™) to enable documentation, data, and billing processes between manufacturers (Sponsors) and various healthcare providers, payers or hospitals (Partners) for mutually agreed finite projects.
- Flexible data collection containers that hold the requisite VBC, RWE or project data
- An invoice process for each VBC project, in accordance with the mutually agreed terms and conditions. The invoice is generated by the Partner and submitted to the Sponsor, along with the agreed data.
- Assistance with solicitation and support of Project Partners (hospitals, payers, providers or specialty pharmacies).
- SME Health Systems receives administrative fees from the Sponsor that support its activities

Manufacturer Needs Addressed

- A means to gather data in HIPAA compliant and consistent way across any number of Partners contributing toward homogeneous VBC data.
- A means to develop meaningful local payer & provider relationships to support Safety & Medical Effectiveness or VBC projects and dialogue.

Payer Needs Addressed

- A legitimate means to engage with manufacturers for assembling and managing VBC data from MIS or other subsystems.
- A means to engage in Value Based Contracting that requires no new technology costs, using data extracted from existing systems and saved to a desktop.
- HIPAA compliant data procedures

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