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# EMPLOYER RX VALUE

A framework developed by the National Alliance  
Medical Director Advisory Council



**National Alliance**  
of Healthcare Purchaser Coalitions  
Driving Innovation, Health and Value



## **Table of Contents**

<b>Purpose, Goals and Objectives</b>	<b>1</b>
<b>Current State and Existing Barriers</b>	<b>2</b>
<b>Outline of Proposed Framework and Process</b>	<b>3</b>
<b>Employer Value Assessment Considerations</b>	<b>4</b>
<b>Potential Future State Opportunities</b>	<b>5</b>
<b>Recommendations for Employers</b>	<b>5</b>
<b>Recommendations for Future Research</b>	<b>6</b>
<b>Dissemination Considerations</b>	<b>6</b>
<b>References</b>	<b>7</b>
<b>About the National Alliance</b>	<b>7</b>
<b>About the Medical Director Advisory Council</b>	<b>7</b>

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# Purpose, Goals and Objectives

As healthcare costs continue to escalate, employers are doubling down on achieving improved value for their dollar. Healthcare value, from the employers' perspective, is broader than that considered by many stakeholders and includes the relative impact on clinical outcomes, employee productivity, and organizational value proposition. The description of healthcare value varies by industry and employer but is a key consideration in most healthcare strategies. It influences fiduciary responsibility as plan sponsors, including approaches to benefit design and contracting, as well as program and formulary management.

With the continued escalation of prescription drug costs, cost management has become a top priority for employers. A number of regional coalitions have developed resources to support members as they work to improve prescription drug purchasing strategies. Among growing concerns are rebates, which are not always aligned with purchaser value goals.

In the Spring of 2019, the National Alliance conducted Rx Employer Roundtables in nine markets to learn the employer's perspective on the high cost of drugs and highlighted additional insights for employers to take action in 4 key areas:

- ▶ Addressing high drug costs
- ▶ Contracting for value strategies
- ▶ Enhancing benefit design approaches
- ▶ Improving formulary management

In general, there is concern that a comprehensive approach to employer-focused value is, at times, lacking. In terms of a promise for improved health or functional outcomes, most medications undergo development with a reasonable value proposition. However, on the path from the drug manufacturer

to the patient, some value potential is extracted by third-party entities, with a shift in focus from value to cost, and a diminished focus on clinical and/or functional outcomes. Ultimately, at the employer level, the value proposition for medications is not transparent nor clearly articulated, having been subsumed in discussions regarding topics such as formulary, drug benefit design, and rebates.

Employers want, but don't receive, transparency regarding net costs, and consequently, do not have an appreciable or knowledgeable understanding of "real-world" value to inform purchasing or formulary decision-making. This report offers insights on how employers can better influence how drugs are being managed on their behalf including the current value frameworks that shape decision-making across the system.

The National Alliance Medical Director Advisory Council was asked to:

- ▶ Advise and provide guidance regarding existing value frameworks and their relationship to value from the employer perspective
- ▶ Develop a more customized employer value framework that can supplement existing value models and incorporate a sustainable process to:
  - Selectively review new (or existing) drugs and therapies by a specialist (internal or external) not by the PBM
  - Provide education and advice to employers regarding evaluation the value of those offerings
  - Define relevant outcomes that could be used in value-based contracts (VBC) to enhance stakeholder (patient and plan sponsor) value
  - Consider ways to operationalize employer-based VBC independent of traditional rebates
  - Develop materials for employers/plan sponsors to help them better understand the prescription drug value proposition.

## Current State and Existing Barriers

With existing prescription drug value assessment frameworks, intermediaries (e.g., payers, PBMs) have controlled the value assessment. Instead of giving due consideration to employer needs, the focus has been on satisfying their business and contracting goals, include rebate maximization. Examples of employer concerns include employee productivity and performance, safety, and total healthcare costs. Including these in a prescription drug value assessment framework can improve employer understanding of broader workforce human capital implications (e.g., total cost analysis).

A more thorough understanding of this important topic will help employers better prioritize their benefits approach to coverage and cost-sharing, including financial alignment of preferred/highest value treatments, non-preferred/lowest value treatments, and associated formulary/health plan coverage considerations. In turn, this information can be used to incorporate a more strategic business approach to benefits planning and budgeting.

With these considerations in mind, the National Alliance Medical Director Advisory Council convened an all-day meeting at the National Alliance's offices in Washington, DC, where they reviewed and compared existing value models and discussed potential strategies for the future. The group also included a recently published review from the National Pharmaceutical Council (NPC), *Current Landscape: Value Assessment Frameworks*,<sup>1</sup> to use as the basis for evaluating seven value assessment frameworks from the following organizations:

- ▶ American College of Cardiology/American Heart Association
- ▶ American Society of Clinical Oncology
- ▶ Memorial Sloan Kettering Cancer Center's DrugAbacus

- ▶ Institute for Clinical and Economic Review
- ▶ Innovation and Value Initiative
- ▶ National Comprehensive Cancer Network
- ▶ Patient-Perspective Value Framework

As a first step, the group discussed definitions and role of value assessment for prescription drugs, particularly in the context of the employer. Several points of consensus emerged, including the need for a formalized process to assess the relative value of a given drug or treatment in employer-relevant terms. Value may encompass a number of dimensions, including scope of use, potential clinical as well as non-clinical (productivity) impact, impact on the safety of workers in the workplace, cost, and comparison to existing treatments (cost-effectiveness analysis).

The potential for more frequent use of value frameworks in healthcare means it is critically important that decision-makers consider the strengths and limitations associated with the ones they use and the impact of the decisions that come from them. The principal issues/concerns from the review of the value frameworks included the following observations:

- ▶ The **employer as stakeholder is not highlighted in any** of the frameworks; instead the primary focus is on the healthcare provider, the healthcare system, and the patient.
- ▶ The **perspective of patient-centeredness and relevant outcomes is lacking** in many of the value assessment frameworks. The group recognizes the extreme burden of patient-level data collection and interpretation, though Patient-Centered Outcomes Research Institute (PCORI) is advancing the availability of these data.
- ▶ In many frameworks, a **limited evidence base was used**, in the form of clinical trials and randomized, controlled studies. The question as to whether "real-world" evidence also be included in value frameworks was raised, with no consensus

perspective. Additional data could help establish more broadly the value proposition.

- ▶ Most of the **frameworks do not incorporate employer-related sources of value beyond cost and clinical outcomes**, such as employee turnover, absence, safety, productivity, or performance-related consequences. There is a need for more employer-relevant detail to be included in calculation of value.
- ▶ The **timeline for quantifying value varies across frameworks** and, for some, extends to a lifetime duration. For employers, this is not a practical consideration; a more realistic and practical approach to a timeline for value should be dependent on typical employee tenure (which will vary by employer), with perhaps a one-year timeline representing a starting point for evaluation. For some employers it is particularly concerning to pick up the costs associated with certain costly, lifetime treatment regimens and are balancing coverage considerations with their overall business drivers, employee philosophy and ability to attract and retain talent.
- ▶ The **level of complexity in the value calculation is extremely high**, resulting in strikingly few value frameworks for specific medications being fully detailed, despite the number of prescription drug options available in the marketplace.
- ▶ **Actual (net) employer costs for prescription drugs are not included** in the value frameworks, particularly given the current PBM focus on rebates.
- ▶ Current **PBM contracting is not a consideration in the existing value models**, and pricing models may well confound existing value framework assessment outcomes.
- ▶ Importantly, as a practical consideration, **the value assessment of an individual prescription**

**drug may be distorted by profit motives and other contractual arrangements** between manufacturer and PBM.

## Outline of Proposed Framework and Process

Following review of the existing value frameworks, the group recognized the extensive resource commitment necessary for development and ongoing management of a value framework for employers. There was unanimous agreement that de novo development of a value framework for employers was simply not practical. After discussion, three focus areas were identified as representing opportunities for further exploration, as listed, below.

- ▶ Develop recommendations to enhance current value assessment frameworks to include more employer-relevant content. Specifically, include other sources of potential value and cost as experienced by employers in a “real-world” context.
- ▶ Create an assessment schema for employers to address knowledge gaps in existing value assessment practices, which are of greatest significance for employer decision-making.
- ▶ Promote use of the schema particularly in settings where a mismatch appears to exist between employer payments and perception of value with actual value. This allows employees to assess more objectively the magnitude of value. This approach may be helpful in better defining high-value as well as low-value prescription drug options.

With these priorities in mind, the group defined the following potential components of an ideal value assessment framework for employers. This set of components, when considered with other value framework processes, can help create a more informed decision-making approach.

# Employer Value Assessment Considerations

## Areas of Focus

### I. Introduction

- Scope: Number of employees impacted and the magnitude of anticipated clinical and cost impact (with a focus on patient-centered outcomes) can help to establish the significance of the value assessment effort on health-related costs and outcomes.
- Ensure that employers view a comprehensive array of potential sources of value including, for example, fitness for duty and functional capacity.

### II. Medication Mechanism of Action

- Does the medication fill an unmet clinical need, or is it a “me too” drug? Administering certain drugs may require additional resources such as an infusion center or other support with parenteral injection. These costs should be included in the value framework.
- Timeline to medication clinical impact should also be considered.

### III. Medication Efficacy and Treatment Compliance

- Adherence concerns should prompt consideration of benefit design, access to medications, and approach to medication supply (30 day vs. 90 day, for example).
- Use of “real-world” evidence to provide insights into practical concerns, and how to best mitigate
- Personalized medicine (includes genetic testing) may be of value to identify optimal candidates for certain high-cost prescription drugs.

### IV. Total Cost of Care

- Net drug acquisition cost for the employer—which includes all contributors to employer costs and rebates, recognizing transparency concerns with current PBM contracting.
- Patient cost—out-of-pocket costs, copay/coinsurance, and any associated infusion/administration costs, including supplies
- Site-of-Care—Determine cost and quality for available sites of care to determine high value
- Comprehensive Medication Management (CMM)—be educated on new therapies and types of payment models available

### V. Effect on Workplace Performance

- Site of care—do employees have to leave work during workday for administration?
- Safety-sensitive jobs—will the drug have any impact on cognitive status?
- Impact on days away from work—will the drug shorten lost work time due to medical condition?

### VI. Time to Value

- Duration of treatment—how long will the drug need to be provided, and how will those costs be evaluated (e.g., one time vs life-time course of treatment)
- How quickly will employee return to work—will the drug accelerate the healing/symptom resolution process?
- Time to efficiency—how much time is required to have meaningful clinical impact? Determine both short-term and long-term value.
- Lifetime value vs. “real-world” employee at work value—if a one-time or short course administration (e.g., gene therapy or hepatitis

B treatment), what will the benefit of that treatment be in terms of value to the employee vs. the employer—and what tradeoffs should be considered?

- Cost of non-coverage—what will employee perceptions be if certain prescription drugs are not covered? Will that have an impact on employee engagement and retention?

## VII. Employee Wellbeing

- Is more inclusive drug coverage part of employer organizational culture in relation to caring about employee wellbeing?
- Assessment of value to employer of support for employee well-being by providing coverage for new drugs. Will employees feel that their employer cares more about their wellbeing—and is there associated value?

## Potential Future State Opportunities

The group discussed the potential for an expanded collaboration with PCORI to identify and facilitate incorporation of employer-relevant PCORI metrics into PCORI-funded research. This effort could address a few unmet marketplace needs, including definition of a number of key metrics that could be included in employer value assessments. Additionally, the inclusion of these metrics would also help expand the applicability/relevance of PCORI research studies for employers as well as clinical entities serving commercially insured populations.

As a preface to further action steps, the group discussed the significance of how best to acknowledge that the proposed value model supports employers in a way that is beyond what they currently receive from their health benefits intermediaries and consultants. The proposed framework incorporates an unbiased perspective that those entities cannot offer.

Other potential applications for the value framework include employer incorporation into value-based contracting, formalizing a specific question set for employers to pose to their PBMs to understand more clearly the cost (particularly) and benefit components of the value framework.

## Recommendations for Employers

There are a number of opportunities for employers to evolve their drug management strategy with a focus on value as well as cost, both direct and indirect, particularly for drugs being managed. This includes critically examining expenditures and determine where there is high value, as well as lower value of care. Below are six steps employers can do now to begin this move.

### 1. Comprehensive Medication Management:

Poly-pharmacy review on a patient level. This effort can markedly reduce individual pharmaceutical expenditure and significantly improve medication adherence among the most fragile segment of covered lives.

**2. Active Formulary Management:** Bring a focus more on the drug mix and less on the standard bundle of drugs. There are a number of drugs that show negligible clinical value and could be removed.

### 3. Bring Greater Clinical Intensity Into

**Formulary Discussions:** This can include tapping into onsite clinical resources such as company chief medical officers or clinical advisors.

**4. Use Evidence-based Benefit Design:** Eliminate financial barriers to high-value medications; reduce financial support for low-value medications; eliminate prescriptions that have no value.

**5. Appropriate Use of Biosimilars:** Encouraging market adoption and placement on formulary. The US lags behind Europe in their use of biosimilars, and we need to highlight their lessons learned.

## 6. Site-of-Care for Medication Administration:

Determine the cost and quality of high-value sites so infusions and other drug delivery is provided in the most cost-effective setting.

The National Alliance intends to build out additional resources as we move forward.

## Recommendations for Future Research

An important consideration emerging from the review of value assessment models is that collection of employer-relevant data should be incorporated more systematically into pivotal clinical trials of promising therapies. Additionally, similar data should also be integrated into post-marketing studies of new drugs to expand stakeholder understanding of value relevant to employers.

Another way to achieve this objective might be to incorporate coverage with evidence development (CED) into employer benefits design. CED is a Medicare term that refers to pilot implementation of novel device/therapeutic offerings that is conditional upon patient outcomes data collection. For example, a new device to promote bone healing may be made available but under the condition that patient compliance and clinical/functional outcomes are collected to evaluate effectiveness. Such data can then be used to more meaningfully determine value. This proposed approach could be used in the setting of new prescription drug offerings, with the goal of helping employers determine the employer-relevant value of new offerings.

## Dissemination Considerations

Preliminary key findings were highlighted at the National Health Leadership Dinner at the Annual

Forum, on November 11, 2019. The group also discussed a number of potential considerations for sharing the results of this meeting with National Alliance members, including:

- ▶ Distribution of the Summary Report to National Alliance coalitions
- ▶ Posting of Summary Report on National Alliance website
- ▶ Creation of an *Action Brief*
- ▶ Develop and provide a webinar series
- ▶ Offer a full-day onsite workshop meeting with coalitions
- ▶ Incorporate this framework approach with other National Alliance initiatives

In addition to dissemination of the report content among the National Alliance membership, the group also came to consensus on other activities, including:

- ▶ Distribution of the Summary Report to the entities involved in other value assessment frameworks, with the suggestion to incorporate employer-relevant data into their respective value models. One such entity where alignment is perhaps the strongest is the Pharmacy & Medical Drugs Initiative, where collaboration discussions with the National Alliance are already underway. A shared focus on these employer-relevant measures represents an important step toward meaningful implementation.
- ▶ Use of the proposed schema to help resolve situations where a disconnect exists between employer perceptions of value and actual value to objectively identify and address perceived barriers to a clearer understanding of value.
- ▶ Explore opportunities for incorporation of identified measures of value as delineated in the schema into VBC models.



## References

1. Westrich K, Buelt L. *Current Landscape: Value Assessment Frameworks*. Washington, DC: National Pharmaceutical Council; Fall, 2019.
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3. Sokol M, McGuigan K, et al. *Impact of Medication Adherence on Hospital Risk and Healthcare Cost*. Med Care 2005;43: 521–530.

## About the National Alliance

The National Alliance of Healthcare Purchaser Coalitions (the National Alliance) is the only nonprofit,\* purchaser-led organization with a national and regional structure dedicated to driving health and healthcare value across the country. Our members represent more than 12,000 employers/purchasers and 45 million Americans, spending \$300 billion annually on healthcare. [www.nationalalliancehealth.org](http://www.nationalalliancehealth.org)

## About the Medical Director Advisory Council

Supports the efforts of coalitions and other key stakeholders to optimize workforce health, productivity and performance. Comprised of clinicians who are medical directors of National Alliance member coalitions, this council addresses the latest science and employer health benefit strategies to help employers improve health and healthcare value.

<https://www.nationalalliancehealth.org/about/mdac>





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