

Jaimy Lee

April 12, 2017

# Genentech urges broader adoption of value-based payment models

Share this content:

- [facebook](#)
- [twitter](#)
- [linkedin](#)
- [google](#)
- [Comments](#)
- [Email](#)
- [Print](#)



Researchers involved in an outcomes-based pilot between Genentech and Priority Health, a Michigan-based health insurer, argued that broader industry participation is needed for these agreements to be successful.

In a [study](#) published April 3 in *Health Affairs*, the drugmaker and the insurer detailed the terms and challenges of the value-based program for Avastin, one of Genentech's longtime best-selling cancer medicines, when prescribed to previously untreated patients with non-small-cell lung cancer. Avastin, first approved by the FDA in 2004, brought in [\\$3.1 billion in U.S. sales](#) alone in 2015.

They also urged other organizations to continue to engage in value-based contracts, despite their inherent complexity.

**See also: [Physicians call for value-based drug pricing](#)**

“No one manufacturer, payer, or provider can single-handedly make outcomes-based contracting a reality,” wrote Dr. John Fox, associate chief medical officer at Priority Health, and Marc Watrous, SVP of managed care and

customer operations for Genentech. “However, continued collaboration and government entities' support will be critical in reaching a long-term solution.”

Of late, there has been growing interest in Washington in removing the barriers for drugmakers and payers to engage in value-based contracts. Rep. Brett Guthrie (R-KY) last week introduced legislation that would allow manufacturers to share a broader scope of economic and scientific information in advance of an FDA approval. The Academy of Managed Care Pharmacy said in a statement that the bill would be beneficial to both manufacturers and “population health decision makers.”

There are several reasons why these kinds of contracts, usually involving drugmakers taking on some degree of financial risk and payers promising prescription volume in turn for drugs that yield better outcomes for patients, have been gaining in popularity in recent years.

**See also: [Merck and Aetna pair population health with risk-sharing, in two deals](#)**

The U.S. health system as a whole has been moving away from a volume-based, or fee-for-service, system to a value-based model. In addition, the increasingly high prices of drugs have meant that more insurers are saying “no” to coverage of therapies that can't demonstrate their value. The drugmakers that can show a clear benefit associated with their therapies now need to prove those results.

“Healthcare decision makers are challenging pharmaceutical manufacturers to demonstrate the value of their medicines, not just in terms of clinical efficacy but also in terms of economic and quality-of-life outcomes,” Fox and Matrous wrote.

But manufacturers have said current regulations limit their ability to engage in comprehensive value-based contracts. Those regulations include Medicaid's best-price rules, the FDA's off-label communications policies, and the Anti-Kickback Statute.

Merck and Aetna said this year that they have considered working together on a proposal to address regulatory concerns, and Eli Lilly and Anthem in 2016 publicly shared a set of regulatory proposals they believe are needed to make value-based contracting easier for both payers and drugmakers.

Genentech has piloted five value-based agreements for its oral and infused cancer medicines, to look at how pricing may change based how the drug performs in different indications, how long the therapy is used, or whether it's used in combination with another treatment, according to a Genentech spokesperson.

**See also: [PBMs push forward toward outcomes-based pricing, despite challenges](#)**

For this contract, Genentech was not required to pay Priority Health a rebate if a patient remained progression-free for longer than six months. But if a patient had to change treatments, either because of toxicity or disease progression, Genentech would then provide a rebate to Priority Health.

So, what five qualities make for a successful contract? Leadership commitment, the choice of drug (outcomes should be able to be proved within a year), agreed-upon definitions and metrics, finding a way to track data in the simplest way possible, and figuring out to address the government rules about pricing.

“Such efforts can have impact only if scale can be achieved,” Fox and Watrous concluded. “Although pilot agreements such as the one described here are feasible, large-scale agreements will ultimately generate broad industry change.”

This material may not be published, broadcast, rewritten or redistributed in any form without prior authorization. Your use of this website constitutes acceptance of Haymarket Media's Privacy Policy and Terms & Conditions