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Vantage point – US push for bundled payments prompts pharma-medtech collaboration

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Healthcare reform is convulsing the US healthcare system, and at the same time device makers must contend with the enduring reluctance of hospitals and insurers to pay the list price for their products. This has prompted a number of coping strategies, one of which is the bundling of products and services as a way to cut the cost of chronic disease over the long term.

"The US fee-for-service system used to mean that whatever a vendor wanted to charge they would get," Liza Greenberg, a consultant to the AAPPO, an association of US insurers, tells *EP Vantage*. "Healthcare reform and employers and insurers are putting pressure on the system to develop accountable care and value-based purchasing in an effort by the US healthcare system to control costs."

One of the first such arrangements is that forged by Medtronic and Sanofi in diabetes. Their initiative is two-pronged, involving the development of drug-device combinations but also of care management services aimed at improving adherence, thereby cutting the costs of complications and hospitalisations over the long term.

"Integrated care bringing technology and services together to provide patients with a better experience," says Pascale Witz, Sanofi's head of global divisions and strategic development. "Providers will feel that they can improve patient outcomes, and it should help the payers and society to control their costs."

She adds: "A lot of players and plans are looking for ways to drive adherence so I'm confident that they are going to be very interested in these solutions."

Evidence

Ms Greenberg concurs, saying that this kind of strategy is very appealing to the AAPPO's members. "Definitely insurers are looking for effective integrated approaches to chronic care management. I think they would be very positive about buying a drug and device package integrated together – but there would need to be metrics associated with it."

These metrics will be the key to the success of the Medtronic-Sanofi pact, and others like it. US health plans are required to report HEDIS data – measures that show they are improving patients health. "In the US, health plans are accredited by independent organisations, URAC and NCQA, that evaluate their quality. To get that seal of approval, plans have to report specific data," Ms Greenberg says. In diabetes, these might include the percentage of patients whose blood glucose is in the correct range or the proportion that have healthy cholesterol levels.

"When insurers buy services and provider care they're looking for anything that will help them do better on their HEDIS scores," Ms Greenberg says. Bundled arrangements must provide clinical evidence of their effectiveness; cheapness alone will not be enough.

If these arrangements do work, the advantages for insurers, hospitals and ultimately patients are clear. But medtech and pharma companies themselves would be uninterested unless there was something in it for them too.

Jeff Hubauer, general manager of Medtronic's type 2 diabetes business, gives a sense of what this might be when he talks about "onboarding" patients. "Our initial target is the onboarding on to Lantus, Sanofi's long-acting insulin – that's our first partnership initiative in care management," he tells *EP Vantage*.

Mr Hubauer says that the combined entity of Medtronic-Sanofi will have direct contact with patients as they move onto Lantus therapy, and will contact them several times thereafter, "to ensure they have the best possible outcomes and to provide guidance and comfort".

In other words, this arrangement will lock patients into long-term therapy with Sanofi's drugs and Medtronic's insulin pumps and glucose monitors. The payments might be lower, but they will be assured for some time to come.

Standard practice

Both Medtronic and Sanofi are planning to pursue more arrangements like this in future. Medtronic has another pilot programme with “one of the largest commercial payers in the US” under which several hundred type 2 patients that are taking intensive insulin will be put on pump therapy.

“They’re very supportive of working collaboratively to reduce costs across the healthcare continuum,” Mr Hubauer says. “This reaching out into the service world, we’re going to expand on it in a big way.”

And not just in diabetes – though this area could be particularly useful for Sanofi, which has been losing share in recent years in its previous stronghold of oncology. The bundling of products and services could be appropriate in many other chronic disorders.

“Diabetes is a rational place to start because there is a biomarker and we know the patients well, but this type of concept is absolutely something that we want to do,” says Ms Witz. “With people living much longer there are a lot more chronic diseases, and this will be really important.”

Ms Greenberg agrees, though she points out that not all chronic disorders would be amenable to this approach. “The early examples of bundled payments are in conditions where you can predict the trajectory of the condition. Rare diseases would not fit that model – you don’t know what the patient’s going to need,” she says.

“But with diabetes I think that organisations are better able to look at the past expenses, the past clinical pathway of the person, and can project out reasonable expenses in the clinical course of the patient. That’s probably where there’s the greatest opportunity for bundled payments.”

The US healthcare system is swift to adopt high-tech but often high-price innovations. Spurred partly by the reforms of the Affordable Care Act, US providers are now trying to keep the quality but limit the expense. If bundled provision of drugs, devices and services can help achieve this while permitting businesses to operate successfully, they will likely become standard practice.

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