

Reimbursement boost for NeuroPace could tempt backers to sell



[Elizabeth Cairns](#)

Snaring US approval for its neurostimulation technology for epilepsy was an impressive achievement for NeuroPace, but it was only half the battle – the company still had to obtain reimbursement for a relatively expensive technology.

But the Centers for Medicare & Medicaid Services has recognised that the company's responsive neurostimulation (RNS) system has particular worth as the only way to head off seizures before they occur, and has authorised so-called new technology add-on payments. NeuroPace's management has always been adamant that the company would remain independent, but with an uptick in sales on the cards thanks to the CMS's decision, the firm's venture backers may very well have their heads turned by a takeover offer.

Speaking to *EP Vantage* late last year, CEO Frank Fischer said that the long-term plan was to take the company public, though he ruled out an IPO before 2015. But should NeuroPace receive a takeout bid it would have to take the offer to its board and consider the view of its VC investors. Kleiner Perkins Caufield and Byers and InterWest Partners, among others, have funded the company to date; NeuroPace's last three rounds brought in a total of \$90m.

Substantial improvement

The company has had money coming in from sales for nearly a year now, having taken the unusual step of aiming for US approval rather than the easier European CE mark ([Therapeutic focus - Responsive neurostimulator technology shocks epilepsy market, December 10, 2013](#)). This choice has paid off: the technology is on sale in the world's largest single healthcare market with 35 sites already implanting it, and the process of getting reimbursement – necessary for such an expensive product – is more streamlined than it would be in the many jurisdictions of Europe.

According to the CMS, the expected hospital charge for the RNS System is \$73,900, and the agency was already willing to pay \$91,197 to cover the cost of the device plus related hospital care. The new add-on payment, a maximum of \$18,475, will kick in if the \$91,197 threshold is breached. If the cost of the procedure exceeds this too, the hospital will cover the extra costs with revenue gained from its private patients.

To qualify for this add-on payment a device must substantially improve the diagnosis or treatment of patients compared with previously available technologies. The payment is not granted in perpetuity: it only stays in place for two or three years, while cost data is collected, allowing the standard DRG payment to be recalculated. The new, higher, DRG fee then becomes standard.

The CMS also approved add-on payments for Abbott's MitraClip, used to repair the mitral valve, and for St. Jude Medical's CardioMEMS heart failure monitor, among others.

But for NeuroPace the CMS's move is a vote of confidence, justifying the expense of a device that represents a real advance over previous products. The company has ambitions to develop neurostimulation technology for indications beyond the fairly narrow slice of the epilepsy population for whom it is currently indicated. It will now have the money to fund additional studies, so if the technology is good enough new indications could well be sanctioned.

If NeuroPace is to achieve its other ambition – to stay independent and become a public company – it might have to turn down more than one potential buyer. And that is something that VCs tend to be unwilling to do when the price is right.

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