

# IHE Innovative Approaches to Industry-Payer Agreements: Readiness Considerations

Shekhar Yerramilli  
CEO daVIZta, Inc.

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# Session Focus

- ▶ What are the key factors for successful development of industry–payer agreements?
- ▶ **How can experience and knowledge produced elsewhere be translated and applied to Canada?**
- ▶ Is there the opportunity for coordinated approaches (e.g., joint agreements) between provinces?

# Industry Payer Agreements in Canada

- ▶ Key drivers for innovative agreements
  - Controlling rising drug expenditure
  - Providing conditional access to new therapies
  - Improving drug utilization management
  - Providing investment for drug research
- ▶ Agreements already in place or underway in
  - Quebec, Ontario, British Columbia, Manitoba, and Alberta

Payers as well as Manufacturers are getting ready to successfully develop and execute innovative industry payer agreements

# Readiness Considerations

## ▶ Stakeholder Alignment

- Industry and Payers
  - Interest and willingness to participate
  - Political support to implement such a change
  - Health Information Act compliance
  - Legislative changes to Health Policy Regulation
- Public Perception
  - Improved access to innovative therapies
  - Aligning pharmacy benefit models with signed agreements
  - Agreement confidentiality Vs price transparency
  - Criteria for measuring success of an innovative agreements

# Readiness Considerations

## ▶ Financial Implications

- Identifying Appropriate Metrics for outcome measurement
- Most Favored Nation clause
- Visibility to discount terms of an agreement may lead to downward price movement
- Performance Measurement against Agreement Objectives
- Contractual Compliance
- Revenue Leakage and Audit Exposure

# Readiness Considerations

- ▶ **Business Operations Setup**
  - Prioritization of drugs considered for agreements
  - Decision process for signing an agreement
  - Cross-functional coordination and cost-benefit sharing
  - Policies, Guidelines, SOPs, and other protocols
  - New Business Operations for
    - Financial modeling of each agreement
    - Contract negotiation
    - Contract administration
    - Contract adjudication and dispute resolution

# Readiness Considerations

- ▶ Robust Systems and Data
  - Lack of systems and tools to perform financial modeling or contract adjudication
  - Inadequate data to measure performance against contracted metrics
  - New controls to be built to verify payer invoices for contractual discounts
  - Need for systems with strong data management capability
  - Need quick to start yet scalable systems to support life cycle of an industry payer agreement

# Readiness Considerations

## ▶ Adequate Staffing

- Limited number of headcounts approved in annual budgets
- Additional staff required to support the new business operations related with industry payer agreements
  - Estimated 6–8 people to support 30–40 agreements
- Significant initial training needs to fill skill gaps
- Initial rollout of new agreements will generally require even more staff to set up the operations



# Conclusions

- ▶ Industry Payer Agreements are still in their infancy stage in Canada
- ▶ Successful rollout of Innovative Agreements will be defined not just by the strong health economics and financial modeling basis, but also by effective
  - Stakeholder alignment and change management
  - Financial controls and compliance
  - Availability of robust systems and adequate data
  - Hiring and training of additional qualified staff
  - Set up of new business functions and associated governance model

# Profile – Shekhar Yerramilli

Shekhar Yerramilli has over twelve years of experience in Pharmaceutical contracting and pricing compliance. His areas of expertise include Managed Market Strategy, Pricing Analytics, Contract Operations, Government Pricing Compliance, and Implementing variety of systems for automating Revenue Management needs. As a trusted advisor to his clients, Shekhar has executed several engagements helping clients optimize their revenue and mitigate their compliance risks through improved analytics, streamlined operations, and controlled automation.

Shekhar is the Chief Executive Officer and co-founder of daVIZta, Inc. a premier analytical services firm that specializes in offering a range of solutions to address Pharmaceutical Contracting between manufacturers and healthcare stakeholders.

Prior to starting his firm, Shekhar worked for premier consulting firms such as IMS Consulting, Envision Consulting, and CSC, and before that he worked for Citibank. Shekhar has an MBA in Marketing and B.S. in Engineering.

Email: [syerramilli@davizta.com](mailto:syerramilli@davizta.com)

Cell: (908) 510 9319