Establishing Medical Policies for Drugs and Biologics: What Will ACOs Do Differently and How Will Manufacturers Respond?

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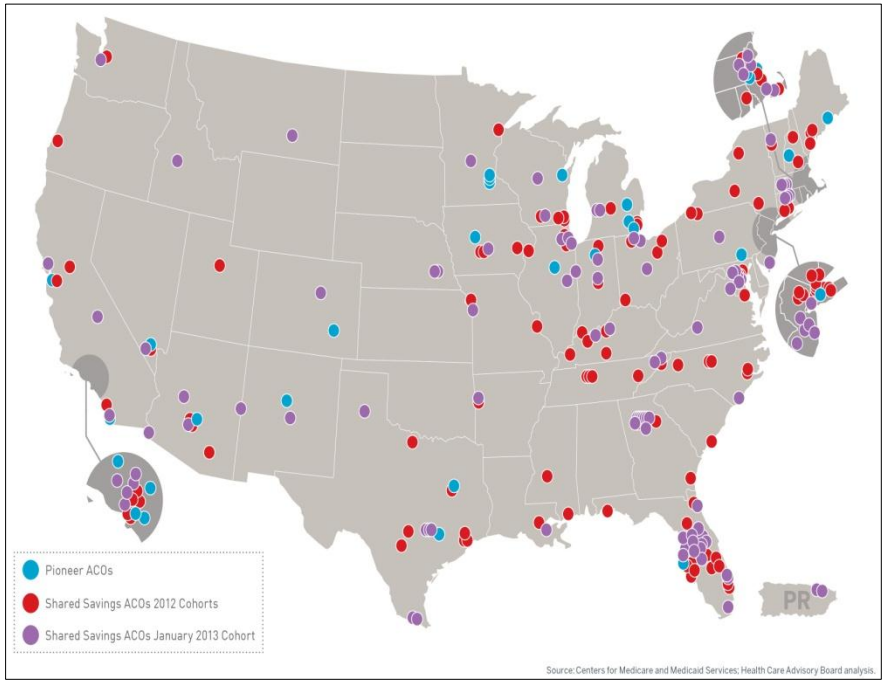
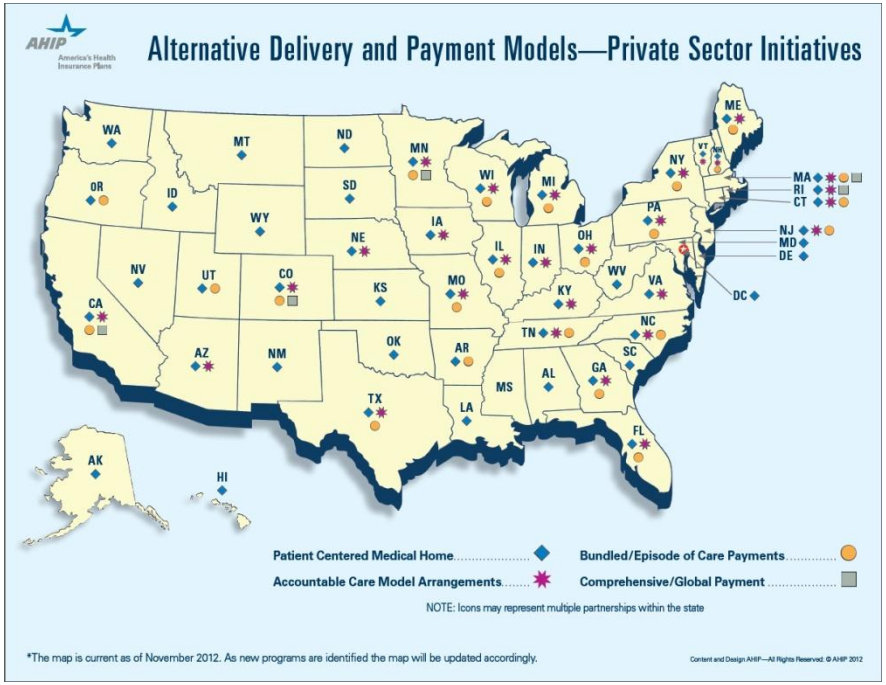
Pharma's Dilemma….

Transformative change is already underway





- Start-up ACOs are investing on average $500M in IT Infrastructure
  - Clinical decision support, revenue cycle management, health information exchange, electronic, health record systems, e-prescribing, data center solutions, business intelligence, and care coordination management.

In a very short time, these organizations will know more about how our products perform in the real world than we will

Sources: The Advisory Board Company, AHIP

What will be the impact to Pharma?

The glass of water is half empty

- Products administered in the physician's office that have an oral competitor
- Drugs without H2H data
- Branded products with generic competitors
- Products without an economic value story

The glass of water is half full

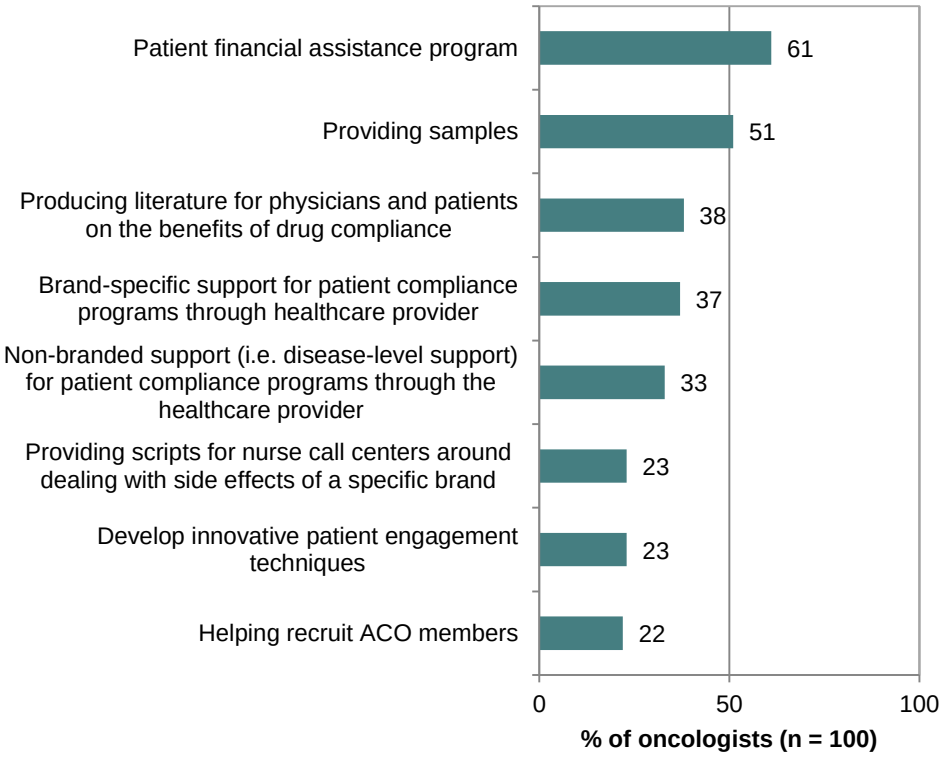
- Drugs that reduce ER visits, hospitalizations
- Part D drugs that compete with Part A/B options
- Vaccines and other drugs with preventative benefit
- Personalized Medicine therapies

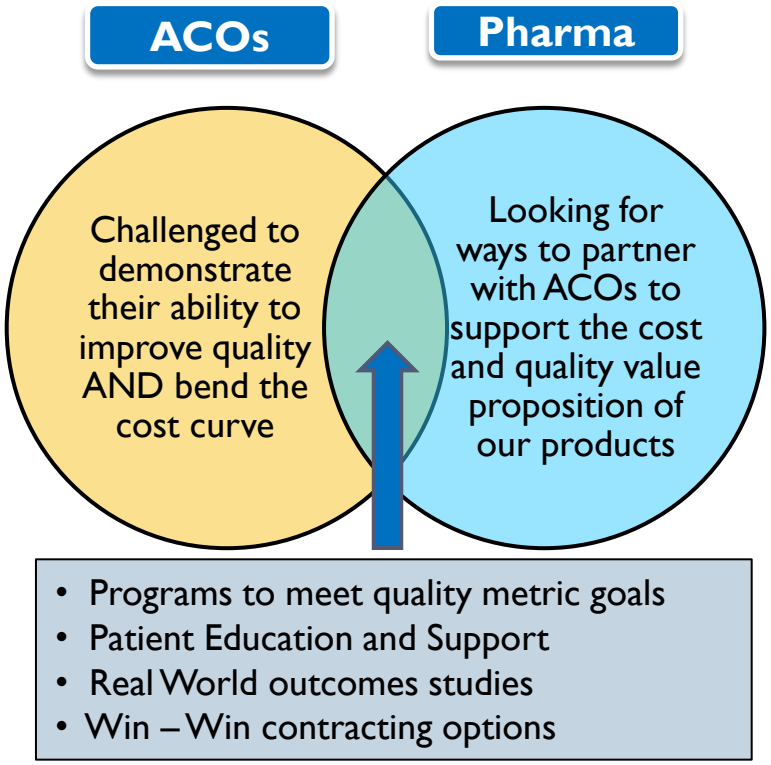
Drug Development will be impacted as well

- Subpopulation data will become more critical
- Trial endpoints will need to be aligned with financial and quality metrics
- CER no longer a "nice-to-have"
- Real World data (i.e., 'outcomes') will drive decision making

Alignment Opportunities

As physician groups begin creating ACO-type organizations, how can the pharmaceutical industry partner with clinician groups to make ACOs work?





Source: Decision Resources Report "Which Branded Agents Will Benefit or be Constrained by Payer-Imposed Strategies on Market Access in Oncology? January, 2013

Follow the Money….

- Will Payers still need to have PAs, step edits?
- Why would Pharma offer the payer a rebate anymore?
- Who are the decision makers at ACOs?
- Will Coverage with Evidence Development be the new norm?

Pricing and Contracting will become increasingly fragmented, requiring new roles, skills and ways in which we think about our business