LIFE SCIENCES
Rethink. Reshape. Restructure... for better patient outcomes

NO TIME TO WASTE

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The convergence of new technologies, policy shifts and competitive pressures is allowing life sciences companies to pursue “outcomes-based” commercial models that directly tie their reimbursements to the real-world outcomes their patients experience. Such arrangements are likely to revolutionize the industry, with successful players regaining control of key profitability levers and simultaneously freeing up value across the healthcare system.
THE FEVER IS SPIKING

From 2007 to 2011, a handful of global life sciences companies experimented with outcomes-based care arrangements, with mixed results. Some of those efforts fizzled because the therapies did not perform as expected, while others failed because the companies and payers were unable to determine whether the desired outcomes were achieved. Yet, with these failures came some valuable lessons: Life sciences companies must align with payers on a shared, quantifiable definition of “value.” They must also determine how to collect and analyze the necessary data, ensure fairness in policies regarding the costs of patient intervention, and address legislative issues such as fair-market value and best-price regulations.

Today, three factors are prompting life sciences companies to dive back into the outcomes-based waters. These include unprecedented pricing pressures due to the commoditization of many chronic disease treatments, the explosion of technologies that make it possible to affect and measure outcomes, and the global shift to outcomes across the healthcare ecosystem. All Top 10 pharmaceutical companies have engaged in outcomes-based care arrangements over the past several years. Further, eight of these 10 have publicly espoused the strategic importance of such care models.
WE HAVE TO SHIFT FROM WHAT HAS BEEN A TRANSACTIONAL APPROACH, WHERE WE’RE SELLING PILLS, TO AN OUTCOMES-BASED APPROACH WHERE THE SYSTEM IS PAYING US FOR THE OUTCOME THAT WE DELIVER...²

JOSEPH JIMENEZ
NOVARTIS CEO
While many outcomes-based arrangements are confidential, Accenture Strategy performed an analysis of more than 120 deals for which public information is available. Upon investigating the 92 deals with available year data, it became clear that the demand for outcomes-based arrangements is now particularly strong in the United States. In 2016 alone, the number of outcomes-based deals that US pharmaceutical companies crafted grew by 254 percent, as compared per annum to arrangements put into effect in the 2012-2015 period. The 2016 deals represented a staggering 38 percent of all publicly reported US outcomes-based deals in history. Accenture Strategy predicts these types of arrangements for life sciences companies in the United States will continue to grow. Further, we believe digitally-enabled disease management solutions developed for the US market will lead to a resurgence of outcomes-based arrangements across the rest of the world (see Figure 1).

**FIGURE 1. OUTCOMES-BASED ARRANGEMENTS ARE SET TO EXPLODE**

Source: Accenture analysis of 92 publicly announced deals for which year data was available
PLACING THE RIGHT BETS

Markets for nearly all therapeutic areas will see outcomes-based care arrangements in the coming years. But some markets will adopt these deals sooner and with higher frequency than others.

Accenture Strategy believes the greatest opportunities for outcomes-based deals are driven by a combination of pricing pressures, a global shift in focus to health outcomes, and the ability to use technology to both measure the isolated effect of a drug and modify the health outcome. We analyzed the market by therapeutic area and found that deals initiated to date have been highly correlated to those dimensions—suggesting that these are, indeed, the key drivers of the trend. We expect to see continued growth in outcomes-based care models in the cardiovascular, oncology, viral hepatitis, diabetes and multiple sclerosis therapeutic areas. By extrapolating on our analysis, we can predict that other areas such as respiratory and autoimmune may be particularly ripe for these arrangements, even though they currently lag other highly impacted therapeutic areas (see Figure 2).
FIGURE 2. THERAPEUTIC AREAS WITH STRONGEST NEAR-TERM POTENTIAL FOR OUTCOMES-BASED ARRANGEMENTS

Bubble size represents market size, by revenue, of each therapeutic area.

**KEY**
- Red: Leading Value-based TAs
- Orange: All other TAs

**Increasing exposure to pricing pressures**
Bubble size represents market size, by revenue, of each therapeutic area.
THIS IS NOT A NEW CONTRACTING STRATEGY. IT IS A DIGITAL REINVENTION.

Historically, many outcomes-based arrangements have been entered with the assumption that outcomes delivered during tightly controlled clinical trials would be replicated in real-world settings. That is often not the case. *Our research has revealed the reason many therapies do not achieve their desired outcomes has little to do with the effectiveness of the therapies.* Arrangements fall short because of the difficulties associated with managing other success factors—namely, modifying patient behaviors, engaging providers and ensuring proper care.

Today, digital technologies can help life sciences companies come closer to replicating the conditions that existed in clinical trials. They have matured enough to help companies improve patient outcomes by assisting with things like patient lifestyle changes and care coordination. Life sciences companies have taken notice. Forty-three percent of all US outcomes-based care arrangements that cited the use of enhanced patient data tracking or predictive/real-world evidence analytics were developed in 2016.⁶ In the years ahead, falling technology costs will open up additional opportunities for stakeholders to define, monitor and improve patient outcomes, as well as drive commercial value.⁷ A recent Accenture survey identified advanced/big data analytics, embedded IT, mobile, wearables and artificial intelligence as having the greatest disruptive potential for the industry.⁸
Some forward-thinking life sciences companies are already taking the necessary steps to build their digital arsenals to support new outcomes-based commercial models. Merck’s 2016 deal with Aetna to provide two diabetes drugs employs predictive analytics to target specific patient populations, coordinate their care with providers, and connect them to relevant health and wellness services. Amgen and Harvard Pilgrim Health Care are utilizing digitally derived “effectiveness algorithms” to define and measure the outcomes of patients taking Amgen’s rheumatoid arthritis medication, ENBREL® (see sidebar). These examples demonstrate the potential for new technologies to reinforce the alignment of stakeholder incentives and ensure the patient care pull-through that is necessary to drive successful agreements for all parties.

A FORMULA FOR SUCCESS

The recent 2017 Amgen-Harvard Pilgrim partnership demonstrates how an “effectiveness algorithm” can help define value and quantify outcome improvements.

The algorithm is based on six criteria, including patient compliance, dose escalation, changes to therapy, and steroid interventions. Harvard Pilgrim’s payment for the drug is based on the patient scores generated by the algorithm. In this way, the insurer is paying rates tied to the real-world effectiveness of the therapy in action.

In the future, it is likely that similar types of algorithm-based agreements will encompass a larger pool of variables, including those related to quality of life.
As global players look to recent US arrangements as models to refine their own outcomes-based solutions, they, too, will need to rely on technological advances. Future solutions will incorporate real-world evidence to evaluate the efficacy and compliance of each agreement, as well as beyond-the-medicine solutions to augment therapies and drive improved patient outcomes. Analytics capabilities and device infrastructures will be key to catalyzing the global market. As technologies continue to advance, so too will the opportunities for outcomes-based care models to usher in a new paradigm for patient care.

Life sciences companies will have to place the right digital bets to succeed in this new environment. Unfortunately, almost all life sciences companies—in the United States and globally—lack the digital capabilities they need. If they fail to shore up their digital competencies, they will find it difficult to pioneer new ways to define, measure and control patient outcomes. That, in turn, will make it less likely for them to regain control of market economics and more likely for them to cede control of profitability to regulatory or legislative bodies. The threat of having new pricing models dictated by others is very real.

In the 2015-2016 legislative session, governing bodies in the United States proposed 46 distinct bills to address drug pricing.¹¹

**There’s not a moment to waste.**
SEIZE CONTROL
OF PROFITABILITY

Life sciences companies can capitalize on new outcomes-based care models and take a greater ownership stake in patient outcomes by:

**SHAPING THE MARKET**

Some life sciences companies are uncertain about how outcomes-based arrangements will affect their business and their payer relationships. Those doubts should not preclude advocating for change. Such advocacy involves more than just writing deals that tie reimbursement to patient outcomes. It means being a vocal proponent of reform and proactively engaging with regulatory bodies and other entities that control market access to shape policies and address complex issues such as fair market value, legal frameworks and “best price” considerations. It means addressing the payers’ and customer organizations’ perceptions, partnership capabilities, and providers’ willingness to engage. Above all, it means developing a new “outcomes-based” mindset across the workforce, as well as an extended ecosystem of partners, providers and customers to drive—and measure—value at every turn.

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**GIVING DIGITAL INTERVENTIONS THE ROLE THEY DESERVE**

The success of outcomes-based care models will depend on life sciences companies’ abilities to use digital technologies in new ways and for new purposes. Wearables, the Internet of Things, artificial intelligence, and mobile platforms will open new opportunities for life sciences companies to stage more targeted and secure patient interventions. These interventions will introduce new therapy management services that will have a quantifiable impact on patient outcomes and underpin future outcomes-based contracts. It will be critical for life sciences companies to enable this change by investing in real-world evidence and data analytics capabilities.

**PREPARING FOR REINVENTION**

Becoming familiar with new data and analytics technologies is one step toward developing more creative commercial agreements. But it is hardly the only one. Life sciences companies will need to engage customers in new ways to ensure they mutually support therapy protocols for common outcomes. This will require changing go-to-market models and aligning internal support models to encourage the right behaviors. Constructing clear internal policies and external value-sharing models will be critical, as will collaborating with neutral third parties to objectively measure and adjudicate contract terms for the partnerships.
PLAY OFFENSE, NOT DEFENSE

Today’s life sciences companies have a simple choice. They can stick with the traditional commercial model, accept their role as a supplier, and face steady economic compression. Or they can embrace the outcomes-based care opportunities their customers seek, play a more valuable role in delivering positive healthcare outcomes, and watch their growth rates improve.

While those focused on certain therapeutic areas will adapt first, life sciences companies of all stripes will need to capitalize on digital investments to define, monitor and improve patient outcomes. Those that embrace the outcomes-based commercial opportunity early will have the best chance of not only creating a sustained competitive advantage, but also influencing the industry’s shift to a healthier financial model.
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ABOUT THE RESEARCH
Accenture Strategy analyzed publicly available information on 123 outcomes-based care deals dating back to 1995. In tandem, we performed a detailed quantitative analysis to rank therapeutic areas by pricing pressures, assessing measures such as product saturation, spend, prescription volume, recent price growth, and share of therapies with the highest unit cost. We then assessed each therapeutic area on the ease with which readily available technologies could be used to both measure the isolated clinical health effect of a drug and modify the outcome. Results of these analyses were synthesized to determine which therapeutic areas are most ripe for outcomes-based care deals today. Opportunities for first-mover advantage become apparent when comparing our mapping to the markets that have already demonstrated strong early adoption of outcomes-based care agreements.