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Integrated Delivery Networks (IDNs):

Trends Driving Healthcare Delivery and Biopharma Opportunities for Customer Engagement

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Introduction

Pharmaceutical companies that are seeking ways to engage and partner with integrated delivery networks must understand this: **IDNs are evolving in ways that have a profound effect on how healthcare is managed, what care paths are followed and which populations are carved out for special attention.**

TGaS Advisors, a division of Trinity Life Sciences, conducted 15 in-depth interviews with key decision-makers from advanced healthcare systems in the U.S. to understand their perspectives on what is driving IDNs and what they are seeking in partnerships. To complement these results, 12 market access leaders from pharmaceutical companies were interviewed to gain their perspectives about their existing partnerships and the challenges they face while collaborating with IDNs.

What was learned is that the old rules do not apply. IDNs do not want a sales pitch in any way, shape or form. They want partners who truly understand their goals in managing patients with chronic illness, they need analytics to make that happen and they are open to risk-based contracts.

This has been heard a lot before. The Quadruple Aim of better care for individuals, better health for populations and lower per-capita costs has been discussed for decades, but this time the most advanced IDNs have the benefit of experience and access to better technology. They are looking for partnerships with pharmaceutical companies that help them achieve that Quadruple Aim.

IDN Trends and Market Drivers

The most advanced integrated delivery networks have an outsize influence on their markets. They are often the largest employers in their communities, they are known for delivering cutting-edge healthcare and they offer a wide range of services. The IDNs were asked about the issues that are driving them and they named three areas: pricing pressures (mentioned by all 15), the transition to value-based care (mentioned by two-thirds) and marketplace competition (mentioned by half).

Here is how IDNs are responding to those pressures:

Service line extensions:

IDNs are investing in higher-revenue procedures to maximize revenues and offset declines in reimbursement for other services. "Neurology, GI, oncology, cardiac surgery…those are the big ones where you're going to drive a lot of surgeries and other situations that would bring in a lot of revenue," said a senior medical director at one IDN. Health systems are also consolidating these procedures within specific hospitals in their systems to increase volume and gain expertise as destinations for these populations, aiming for direct competition with academic institutions.

Population health initiatives:

Eighty-five percent of the IDNs that were interviewed have active population health programs and half have very sophisticated and well-resourced teams, enabling them to actively engage in upside/downside risk partnerships in both commercial and government initiatives. "**We are very big into quality metrics and pay for performance,**" said an IDN chief medical officer. "**We track over a hundred quality measures on an ongoing basis. Population health is actively involved in helping maintain our scores and engaging the patients on a frequent basis.**" This means investing in care coordination teams, exploring social determinants of health (SDOH) and engaging in alternative payment models that reward IDNs for improving population health.

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Value-based risk agreements:

Although fee-for-service remains the dominant reimbursement model for many integrated delivery systems, IDN stakeholders say they are seeking new ways to take on more risk with payers. Shared savings (upside/downside risk) is the most common value payment model, but all IDN stakeholders surveyed mentioned looking to increase partial or full capitation in the coming years.

Improvements in technology and analytics:

The long and winding road to seamless electronic medical records (EMR) and connectivity has been painful, expensive and tedious, but it is paying off. IDNs pursuing risk-based contracts are looking to share data with payers to provide a complete patient profile. They are engaging in predictive analytics to better intervene with high-risk patients. "Having EMR access across really all sites and within sites and data sharing, as well as moving to the next phase of developing and feeding that back to provider groups and care teams… that is really kind of the current phase," said a senior pharmacy director at one IDN.

Optimizing site of care:

IDNs are optimizing lower-cost settings to deliver care and provide a team approach to monitoring patients. "**I think you're going to have a shift of care more to an at-home basis, along with an ambulatory basis,**" said an IDN medical director, "the virtual care and the monitoring of the diabetes, the glucose, the COPD, the asthma and the peak flow; or the weight of the CHF....**we've done some pilots that have been very successful at keeping people out of the ER and out of the hospital.**"

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Partnerships With Pharma Organizations

Pharma faces some significant barriers in working with IDNs including understanding formulary placement, gaining access to facilities and determining what level of control over therapy selection that providers have versus payers. IDNs may have their own treatment pathways and drug protocols designed to drive more cost-effective therapy selections and in some cases, they override payer coverage determinations. Not only that—IDNs are influencing other providers in their local healthcare markets beyond their own systems.

"We've done our own work which was basically an economic trial of let's look at the utilization and cost of the group on one drug versus another drug," said an IDN chief medical officer. "If drug A is 94% effective and costs $10,000 a year and drug B is 96% effective and costs $50,000 a year, do we want to allow the choice of drug A or drug B? Or do we say for only 2% higher effectiveness at five times the cost, where's the value? We have done work like that with our own data."

Some of the market access leaders in pharma that were interviewed were well aware of this: "We are very focused on any access barriers, traditional utilization management (UM), or is it not in their EMR, or do they have their own pathways, is pharmacy bought in, are we having to contract with their group purchasing organization (GPO)," said one vice president of market access. "It's getting so much more specified. **…everyone is realizing that we must have this true partnership between us, the payer and their agreements within the institution. And that we've got to find a way to be all talking the same language.**"

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One opinion that was heard from both IDN and pharma leaders is that the traditional sales approach is becoming progressively less effective. "**We don't have pharma reps wandering around our hallways talking to our doctors,**" said a senior IDN pharmacy director. "**Our pharmacy and therapeutics committee members and leaders do work with pharmaceutical companies directly to get information at that higher level.**"

So just how should pharma be approaching IDNs? Again, making a traditional sales pitch will get them nowhere within these advanced systems. They must engage early with IDN leaders to develop a meaningful partnership as well as provide data and insights that help the IDNs achieve their goals.

More than 50% of the interviewed IDN stakeholders are participating in some form of partnership with manufacturers, including risk-sharing agreements. The partnerships include drugs for diabetes, heart failure, COPD, chronic kidney disease, asthma, hematology/oncology, neurology and high-cost specialty meds. Some of these partnerships are around product-specific performance, for example, reducing hemoglobin A1C compared to clinical trial endpoints or reducing hospital admissions for cardiovascular disease.

"I think there would definitely be opportunities to engage in value-based partnerships or reimbursement models with pharmaceutical companies, particularly around specialty drugs, where the volumes are not that high and the cost of the drugs is very high," said an IDN director of pharmacy.

It is not just large pharma companies expected to take this path. "I think the medium-to-small size companies all need to get on board with the value-based contracting, it's going to be a necessity," said the pharma director at one IDN. "It's not just a nice-to-have. They need to grow that part of their business in order to have the same types of relationships because they're just going to get shut out otherwise."

Examples of Pharmaceutical Organizations and IDNs Partnering in Multiple Therapeutic Areas

Therapeutic Area	Partnership Examples
» Diabetes » Heart Failure » COPD » Chronic Kidney Disease » Asthma » Hematology/Oncology » Supportive Oncology » Neurology (MS) » Specialty Meds (high cost)	» Product specific performance - Reducing Hemoglobin A1C compared to clinical trial endpoints - Type 2 diabetes and CV deaths - CV Hospital Admissions or Re-Hospitalizations » RWE generation and cost effectiveness research » Value based contracts

IDNs are clear about what they want from their partnerships with pharma:

Understand Our Needs:

"**Rather than coming to me with something that they want to 'sell', try coming to me and engaging with me in a discussion, then tailoring that response based on what I've got out there.**" said an IDN director of pharmacy.

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Engage Early:

Pharma needs early engagement for these discussions to bear fruit. "We've had a few recent discussions earlier in the phases about a few things where it's more of a brain-storming session between us and them about what we can do and what they want," said an IDN director of pharmacy.

Leverage a Collaborative Approach:

IDNs value a collaborative approach based on shared values. An IDN pharmacy director put it this way: "**I think we really need to be transparent with each other about what the goals are and why—what are the important data elements for them and what's easy to capture for us and then what's in it for both parties.**"

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Share Knowledge:

Pharma companies can add value by sharing their knowledge with IDNs. "The work that they've done around promoting population health, promoting patient education and adherence materials and providing non-branded education materials and market insight, I think that's all been helpful in terms of building those partnerships and more collaborative relationships, which I've noticed a big difference in over the last five years," said an IDN director of quality.

Pharma leaders were also asked about their current relationships with IDNs. Thirty percent of responding companies have partnerships with IDNs, while 40% plan to engage in partnerships for population health initiatives or oncology care models.

Over half of the pharma companies that have entered or plan to enter into partnerships with IDNs consider them to be a part of the pull-through for value-based contracts. Most companies perceive IDN partnerships to be moderately impactful.

What IDNs Want From Partnerships With Pharma

Besides engaging with IDNs, pharma needs to be aware of patient sub-groups. Some IDNs are engaging with local employers for narrow networks, sometimes carving out populations for risk-based contracting.

"We definitely have outreach programs to the employers and it's not just, 'choose us because we're nice.' It's 'choose us because we can keep your costs down,'" said an IDN chief medical officer. "Employers are extremely cost-sensitive when it comes to healthcare, as they should be."

Partnership With Payers and Growth of Risk-sharing

Crafting contracts with downside risk is still limited for payers. In 2019, only six percent of total commercial dollars came from value-based payment models with downside risk, according to a survey from the National Alliance of Healthcare Purchaser Coalition. But the majority of the IDN stakeholders that were interviewed said they are engaging in contracts with downside risk.

"**If you've got a full risk contract and you're able to provide better care through a population health approach, or a quality approach or a care management approach—whatever rubric you want to use—you're lowering the total cost of care for that population.** You're not spending as much of the capitation that you get in; therefore, you're doing better financially," said an IDN chief medical officer.

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Some IDNs said they are headed toward capitation. "Right now, it's partial capitation around primary care—we're only at about one third of the lives in value-based contracts," said an IDN chief medical officer, "but **the eventual goal is to have the majority of care provided under value-based mechanisms from the majority if not all of the larger insurers and then a smaller direct-to-employer set of business.**"

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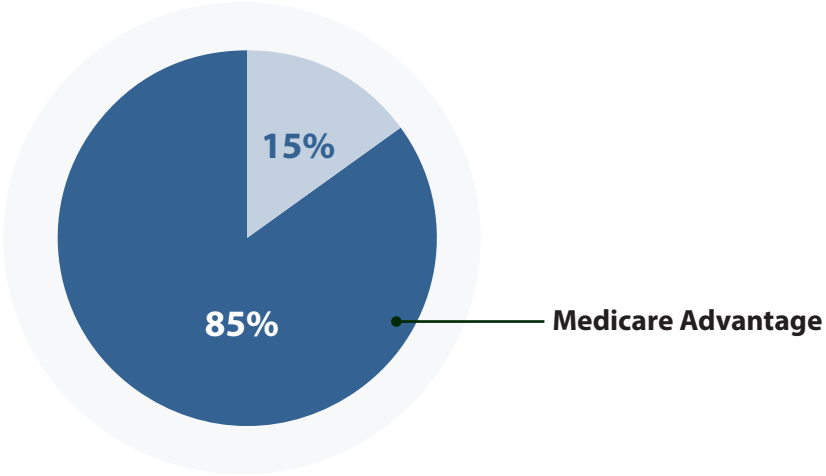
All of the IDNs that were interviewed are especially interested in Medicare Advantage (MA) as a focus for growing value-based reimbursement. In fact, in 2019 Medicare Advantage had more than half of payments tied to alternative payment models.

"What led us to the decision to kind of go all in on trying to get more risk lives [through Medicare Advantage] a couple of years ago is that we're not the dominant player or have that dominant position with payers," says an IDN

chief medical officer, "but we are actually a high-value provider because we've been able to keep our costs down and operate with lower margins from payers."

An IDN vice president for formulary management spoke about the benefits of having MA plans with high ratings: "If we're able to become a five-star organization, we can enroll those Medicare Advantage patients year-round instead of just seasonally and so the potential revenue is enormous. It's just a matter of trying to get there."

Most IDN Stakeholders identify Medicare Advantage as key focus for growing value reimbursement potential (n=15)



To make value-based contracts work, providers are seeking new ways to standardize treatment for their costliest patient populations:

Pathways and Workflows:

Most IDNs are following clinical pathways to ensure care teams are leveraging the most cost-effective therapies. That means medications outside of pathways or off label will be in question.

Chronic Illness and Population Health:

High-cost patients with chronic illnesses are being identified in sub-populations. Providers are agreeing to incentives for upside or downside risk to care for these patients and working to keep them out of high-cost settings like hospitals and emergency rooms.

Insights and Analytics:

Larger, more advanced IDNs are developing internal data capabilities and are seeking to leverage real-world evidence (RWE) within their patient population to make more cost-effective treatment decisions.

EMR Care Guidelines and Alerts:

Many IDN stakeholders discussed established guidelines which can be imbedded in physician workflow or built as alerts to help guide physician test/treatment selection. While physician reimbursement is not typically tied to adherence to these guidelines, performance is discussed and is thought to influence provider behavior.

Formulary and Utilization Monitoring:

Patient lives with significant financial risk may be subject to internal utilization management tools to control the use of higher-cost medications. For value-based payment systems to work, patients must be adherent to their medication therapies and physician's orders. Coordinated patient support that addresses adherence includes pharma, provider and payer partnerships that fall under four categories:

Activation/Engagement:

In partnership with manufacturers, third-party vendors and patient advocacy groups, payers and providers seek innovative ways to connect with patients and "activate" them. Digital technology, wearables, chat features and other virtual settings are interactive ways for patients to remain engaged and have ownership in their disease management.

Caring for the Caregiver:

Caregivers are an integral part of a patient's "treatment team," and play a vital role in keeping patients active, adherent and healthy. Payers, providers and manufacturers deploy both digital and face-to-face resources (patient education liaisons and social services) to assist caregivers.

Cost and Coverage:

Beyond copay reduction tools, manufacturers have executed value agreements with payers to increase rebates for patients that have achieved adherence thresholds. In return, payers have reduced out-of-pocket requirements for patients who are adherent.

Patient Education:

IDN stakeholders value branded patient education resources that can supplement their efforts to keep patients informed about their disease and how to best manage their treatment.

Patient Adherence Efforts Fall Under Four Categories

There are plenty of challenges in these partnerships, but there are also ways that pharma and IDNs can work better together. As mentioned earlier, pharma must engage early and build the partnership together with IDNs while being transparent. A director of pharmacy at an IDN appreciated it when a manufacturer took this approach: "**What are your unmet needs? What's keeping you up at night? And let's figure out how we can work together to help you overcome those issues. I think that was kind of a refreshing approach.**"

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Outcomes and endpoints must be aligned to the goals of the partnership and measurable in a real-world context. According to an IDN pharmacy director: "**Sometimes I'll get a list of 20 to 40 endpoints, or outcomes, or data points that they want, so you're overwhelmed from the beginning**, or you can tell maybe they don't understand how complicated the process can be."

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The contract process can be a challenge; it is important to use key learnings from previous partnerships. The vice president of formulary at an IDN put it this way: "I think in the beginning, there wasn't a standard in terms of contract language that existed for this…and now, I think there is a kind of template for how organizations can enter into these arrangements. They learn from each other and from mistakes and outcomes that have been published."

Another challenge is how data is shared. One way to solve this is using a third party or platform. This lightens the strain on internal resources and provides a neutral party to manage analytics. A pharmacy director at an IDN said that "a manufacturer had a discussion with us and we had a presentation by a third-party partner who indicated that you can utilize their data analytics to de-identify the data and do some of those things. I thought that was innovative, but that's the only example platform that I've seen."

Current IDN Trends

Consolidation/Integration:

Health systems are actively integrating and adding new services to maintain a strong and competitive footprint in their market.

Care Standardization:

Risk relationships and focus on outcomes necessitate a standardization of care, supported through advanced and predictive analytics for their populations.

Flexible Care Teams:

Shifting population needs have created a need for more flexible team members who support office, virtual and hospital at home initiatives.

Focus on high-risk and at-risk patients:

IDNs are entering into risk-based partnerships with health plans to mitigate costs through more aggressive management of high-risk and at-risk patients, creating incentives and metrics tied to outcomes.

How Pharma Organizations are Adapting

IDNs are complex organizations that require a different approach from traditional hospital systems. To be effective and credible, all of pharma's customer-facing teams must collaborate and align with each other to ensure the best payer/IDN experience. Here are some key trends that have been observed:

Leveling, Titles and Alignment:

IDN teams are aligned under the Market Access function to ensure certain activities can be conducted within compliance guidelines. Upgrading titles to director level also helps in managing across the matrix field teams.

Incentivizing the Right Behavior:

Most pharma companies have moved away from account-specific sales objectives and now utilize national volume goals and account-specific management by objectives (MBOs) that are focused on business planning, collaboration and account-specific initiatives. A vice president of account teams described it this way: "**We monitor [sales for the IDN team], but we don't include it in the comp plan…it's not about the actual sales. It's about the different initiatives that we have. Those initiatives we believe will result in the sales.**"

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Educating Teams:

Pharma organizations are arming IDN account teams with customized resources that give them a deep understanding of the local and national healthcare market and what is driving IDN investing and decision-making.

The IDN account manager owns the high-level system decision-maker relationships and acts as the quarterback, deploying resources to support a broader account strategy above the typical prescriber level. Most of the pharma companies that were spoken to have IDN account teams that execute contracting responsibilities.

"We're fond of saying that when it comes to the matrix team, the IDN account executive is the tip of the spear," said a senior director at one pharma company. "The most valuable function they play in an organized customer is the coordination of the matrix. No IDN customer is going to see four or five people from the same company at the C-suite level. That's why we need a high level of account management."

Eighty percent of the biopharma clients we surveyed identified formal segmentation and archetypes as key points to consider beyond size for IDN prioritization "**I don't care if we call on 5,000 IDNs**," says a senior vice president for market access, "but **we need a tiering exercise because of the field team's capacity.** Even our HEOR field team can only call on so many. We need to prioritize these customers."

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Pharma organizations have also adapted their customer engagement models and have re-organized their approach by creating specialized teams that correspond to their account segment profiles. As the market continues to evolve, different commercial models are being created from enterprise/ecosystem to very select and focused go-to-market teams. These teams continue to evolve as pharma seeks to engage in a very dynamic marketplace.

Specialized Teams That Focus on Health System Segments (Archetypes) and Adjacencies (Potential Disruptors)

Ecosystem Model	National & Regional Focus	Closed Systems & Population Health
Very large biopharma organization that transitioned to fully integrated customer engagement model (specialty portfolio) All customer-facing teams, Regional Payer, IDN, Sales, GPO, FRM and Business Managers, with the exception of the National Payer Account Teams, Health System National Account teams and Trade align into this integrated system Strategic intent is to push decision-making to the regional ecosystem level Internally, integrated strategy teams are aligned by therapeutic area, supporting the customer engagement teams	Very large biopharma organization with diverse portfolio of chronic oral and highly specialized medications Broad provider contracting strategy incorporating both GPO agreements and direct with provider agreements Specialized teams focused on National Health Systems, Integrated Payer/Provider and Population Health Dedicated internal quality and focused marketing teams support payer and provider engagements in quality / value and population health initiatives	Large pharma with a diversified portfolio Focus is strategic customers at the B-B and decision-making level segmented into 3 customer types – » Closed Systems » Federal » Population Health/Quality Regional Payer team is the connector and expert in regional ecosystem dynamics with strong collaboration between regional payers & IDNs (Ecosystem lite)

Key Takeaways:

- Initiatives are focused on gaps in care, special populations and may or may not involve risk-relationships, real world evidence, quality and health equity
- As the market continues to consolidate and integrate across customer segments, fully integrated ecosystem customer engagement models will be more common

Both payer and IDN customers identified the need for more data to provide evidence of value in partnerships with pharmacy manufacturers. Account directors typically present preapproval information exchange (PIE) and health care economic information 6 to 12 months prior to launch. For rare diseases, it may be 18 months. "To have meaningful discussions with payers, we needed to have a seat at the table to collaborate on clinical development plans, so that we can generate data at launch," said a pharma vice president.

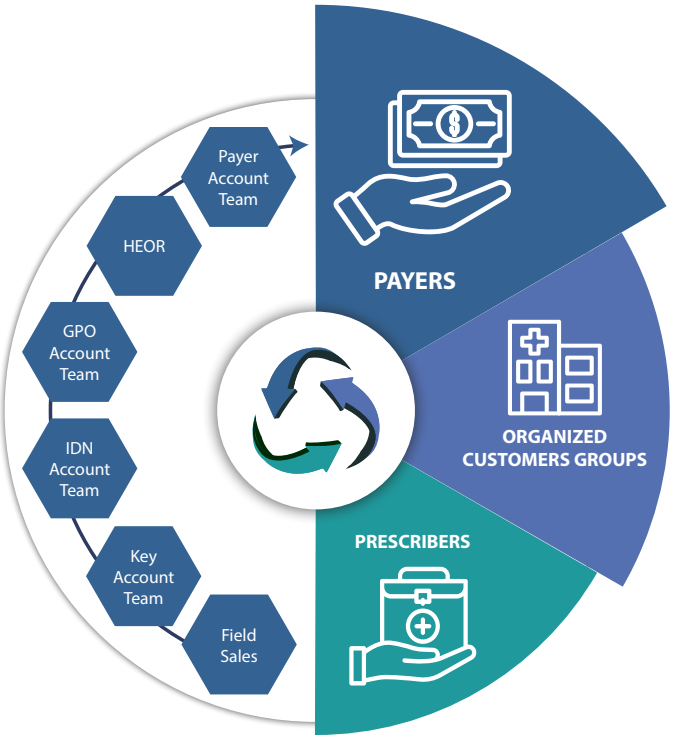
Critical Success Factors For PIE Engagement:

Both payer and IDN customers identified the need for more data to provide evidence of value in partnerships with pharmacy manufacturers. Account directors typically present preapproval information exchange (PIE) and health care economic information 6 to 12 months prior to launch. For rare diseases, it may be 18 months. "To have meaningful discussions with payers, we needed to have a seat at the table to collaborate on clinical development plans, so that we can generate data at launch," said a pharma vice president.

1. Plan early by including evidence requirements in pivotal studies to have data for pre-launch activities
2. Use the feedback from payers to help shape the value story for launch and evidence lifecycle
3. It is an integrated approach that involves brand, access, medical and clinical to develop an impactful value demonstration package
4. Plan the cadence of PIE engagements and be prepared to answer questions on population, pricing and comparative/cost effectiveness

Finally, IDN account teams can typically attend joint meetings with HEOR/medical liaisons. HEOR liaisons help support the product value message and medical liaisons help with off-label clinical discussions when they are requested by the customer.

An Evolved Internal Collaboration and Coordination Model to Synchronize Activities That Drive Toward the Strategic Account, Brand and Ecosystem Goals



Key Takeaways

IDN Drivers and Trends

» Increasing cost pressures and demand for improved outcomes have resulted in IDNs working on operational and care efficiencies, expanding their range of procedures, focusing on at-risk patients and adopting alternative site-of-care delivery options.

» Understanding how IDNs are measured and incentivized is a critical aspect to effective customer engagement.

» IDNs can—and do—exert control over prescriber behavior, so brand promotional strategy must account for system-wide initiatives that support or challenge the product value story.

Partnerships

» Most pharma organizations are seeking creative and compliant ways to partner with IDNs to improve patient care plans and appropriately position their products and services to enhance patient experience.

» Challenges do exist with partnership engagements. Pharma needs to be mindful that these engagements should be collaborative and mutually beneficial, as well as gain insights into risk-sharing agreements that are already in place between payer and provider.

Initiatives and Programs

» The COVID-19 pandemic and health plan pressures have accelerated the investment into virtual patient care and telehealth that support at-risk and population health initiatives.

» This provides opportunities for brands to differentiate their overall offering if the clinical/value story aligns to their population health and organizational goals.

Customer Engagement

» IDN account teams are shifting to a more centralized approach, ensuring that all customer-facing teams are aligned to a common goal, with specific roles and responsibilities to drive strategy, pull through and coordinate activities across diverse customer facing teams.

» These customer engagements are not sales-focused and include identifying partnership activities above-brand initiatives.

» Resources and tools that are focused on population health and total cost of care are being specifically developed for IDN account teams.

Authors

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Rebecca leads the Access Strategy and Customer Engagement solution within the TGaS Advisors, a division of Trinity Life Sciences, Market Access Practice and is responsible for organizational strategy and effectiveness. Rebecca has led numerous benchmark-based consulting engagements for both US and Global Market Access organizations. She regularly engages with leaders in pharma and biotech, as well as decision-makers at payers and IDNs for assessing organizations customer engagement approaches.

Rebecca's prior experience include leading primary market research at Health Strategies Group focused on developing pricing and market access strategies and value story development for both payers and IDNs for optimal customer engagement. Rebecca has held several positions of increasing responsibility at Bristol-Myers Squibb Company, leading multiple brands in the US and Global Commercial Lead, CV Global Marketing for new product commercial development for early and later stage assets. Her pharmaceutical background is diverse and includes marketing, market access, product management across multiple therapeutic areas including CV/MET, oncology, immunology and rare diseases.

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