



PerSpectives

# When does rebating lose its cost-effectiveness?

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Prescriber data analytics can provide perspective



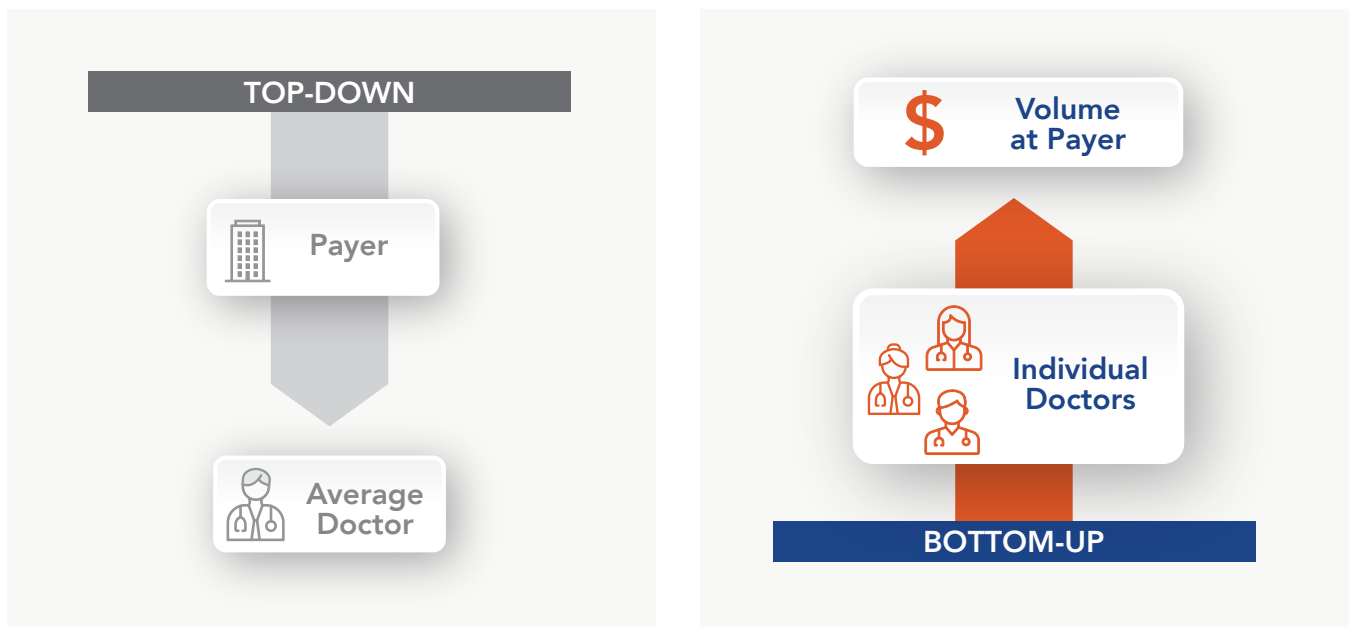
## Executive Summary

Negotiating for brand access with a payer is a high-stakes game—one where manufacturers try to grasp the implications of scenarios that can unfold so rapidly, they feel like they are flying blind.

Traditionally, manufacturers have relied on a “top-down” model to analyze rebate contract parameters. But top-down functions as a blunt instrument—it doesn’t provide confidence in a specific break-even point, and it doesn’t help manufacturers determine how to pull through the benefits of the contract at the prescribing level.

Most importantly, top-down doesn’t address one key question: How will a change in coverage position impact net revenue on a prescriber-by-prescriber basis?

Market access teams need a more precise way to assess true net revenue impact of a given rebate in order to better balance coverage goals with gross-to-net results.



### We Understand the Dollar Impact of Any Given Contracting Position *at the Point of Prescribing*

Payer Sciences has developed a *bottom-up* modeling methodology that yields precise ‘rebate tipping points’ derived from the prescribing potential of each individual physician. This novel method provides actionable output for contracting strategies, and insight into where and how to pull a contract through for maximum value by geography or by individual prescriber. The output from bottom-up modeling helps our clients make more informed strategic choices before they sign on the dotted line.

## Are You Gathering the Right Data to Make the Best Decisions?

Every day, health plans make coverage decisions that shape markets and influence product utilization. But other factors—especially physicians' willingness to prescribe—affect product utilization as well.

So who decides what the value of each factor is when calculating budget impact scenarios?

To set contracting terms that will optimize net revenue, it's essential to understand how changes in each payer's coverage and utilization management (UM) criteria will impact each individual physician's prescribing behavior. By linking specific coverage criteria to individual physician behavior and rolling those estimates up to a total number, Payer Sciences can calculate more precisely the value of removing or accepting specific UM criteria at each payer, thus maximizing gross-to-net.

In other words, Payer Sciences can help identify the specific "tipping point" where a given rebate loses its cost-effectiveness. At the same time, we can identify which prescribers should receive messaging support in order to capitalize on the contracting investment. These are invaluable pieces of information if a contract is going to be profitable.

To get there, let's take a look at these two distinct models that can be used to conduct a contract analysis: a traditional "top-down" model, and the more granular "bottom-up" approach used by Payer Sciences.



Calculate  
average impact  
of coverage  
positions

Assess payers'  
ability and desire  
to influence

Estimate  
payer-specific  
impact by  
coverage position

## Traditional Approach: Modeling Contracts Using a Top-Down Methodology

**The top-down approach follows a 3-step process:**

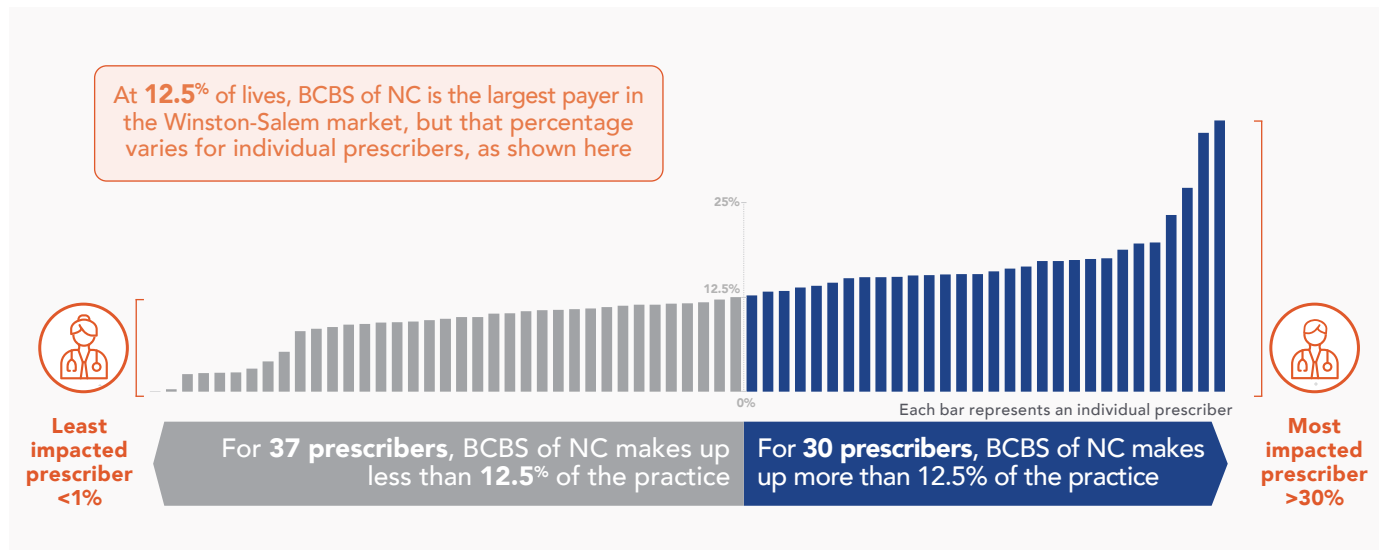
1. Based on all prescribers, calculate the average impact of a particular formulary position on Rx volume
2. Adjust for specific payer desire and ability to influence
3. Calculate which rebate thresholds would maintain suitable profitability

**However, top-down has potential drawbacks:**

- Difficult to analyze impact of simultaneous contract scenarios across multiple payers
- Does not help manufacturers determine how to pull through the benefits of the contract at the prescriber level
- Cannot measure spillover of contract on non-contract utilization

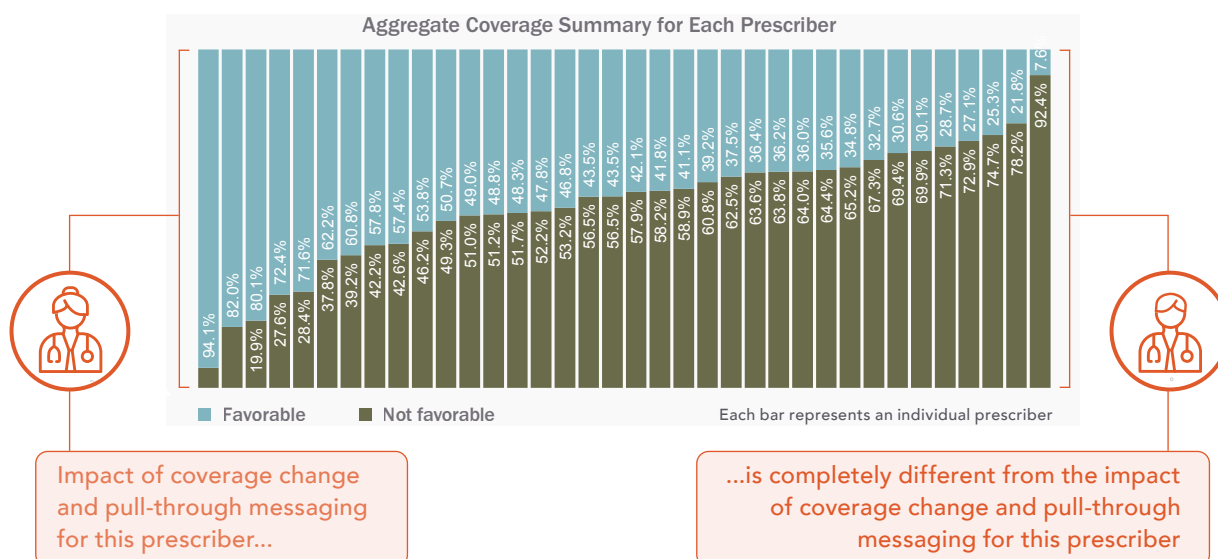
## A Closer Look at What Top-Down Is Missing

Top-down modeling is based on aggregated averages of groups of prescribers. In the example shown here, top-down modeling says BCBS of NC impacts 12.5% of lives in the Winston-Salem market. But very few prescribers have exactly 12.5% of patients with BCBS coverage—so any strategies employed by BCBS in this market will have varying levels of effect, with the greatest influence on the prescribers furthest to the right.



Bottom-up modeling starts with an understanding of the overall coverage environment for each prescriber, which helps determine the individual prescribers where contracting may have the most influence.

### Coverage Summary Across All Plans in One Market, by Prescriber



## Bottom-Up Allows for a More Flexible Analysis of Multiple Contracting Strategies

Bottom-up analysis looks at 3 variables: What is the overall coverage environment, what is each physician's Rx volume, and how much influence does each payer have on each prescriber? In order to understand this concept, it helps to change perspective by focusing on individual physicians, as shown in the example below.

**Example:** In a scenario where the manufacturer of Cardozic is considering contracting with PlanSouth to improve Cardozic's position relative to competitors, it will be easier to realize improvement with Dr. Smith than Dr. Jones, due to the relative influence of PlanSouth in each practice and the potential for volume growth in Dr. Smith's office.

WRITES HIGH  
VOLUME  
OF CARDOZIC



Dr. Jones

FEW  
PLANSOUTH  
MEMBERS



WRITES LOW  
VOLUME OF  
CARDOZIC



Dr. Smith

MANY  
PLANSOUTH  
MEMBERS



Payer Sciences uses bottom-up modeling to analyze every doctor and every payer in the country, to forecast the volume given each potential coverage position for each of their payers. These estimates are then rolled up into an aggregate impact and expressed as a rebate tipping (break-even) point.

Using our Cardozic example, by performing similar estimates across every Dr. Jones and Dr. Smith for PlanSouth, we can calculate at which point the rebate for a change in coverage at PlanSouth does not result in a net revenue increase.

## How Detailed Can a Bottom-Up Analysis Get?

Once the net revenue impact at a prescriber is understood, we apply the same approach to all prescribers, across all health plans, to determine rebate tipping points for every plan and coverage position, as shown in the table below.

Estimated Rebate % Required for Product X to Move Up or Prevent Movement Down From Current Step Position

| Account             | Segment    | Current coverage  | Advantage | Parity/<br>no SE | SSE  | DSE  | Not reimbursed |
|---------------------|------------|-------------------|-----------|------------------|------|------|----------------|
| Central Scripts PBM | Commercial | SSE Disadvantaged | 7.4%      | 3.5%             | —    | 2.5% | 4.7%           |
| BigPayer, Inc.      | Part D     | Not Reimbursed    | 10.2%     | 7.6%             | 6.6% | 4.0% | —              |
| MiddleRx Co         | Commercial | Parity-No SE      | 5.4%      | —                | 2.3% | 8.7% | 9.3%           |
| FlowScript          | Part D     | Not Reimbursed    | 10.9%     | 7.8%             | 6.6% | 4.0% | —              |
| Everywhere BCBS     | Commercial | SSE Disadvantaged | 5.9%      | 2.3%             | —    | 2.5% | 5.1%           |
| WealthHealth Group  | Commercial | DSE Disadvantaged | 10.8%     | 7.7%             | 6.7% | —    | 4.1%           |

The left side of the table shows current coverage for Product X by plan, while the right side shows the estimated break-even rebate amount (tipping point) to either move Product X to a more preferred position or to prevent movement to a more restrictive position.

## Bottom-Up Analysis Is a Data-Intensive Process

Beyond the conceptual advantages of bottom-up analysis, it's important to consider some of the logistics required for execution.

The approach requires data gathering for the relevant therapeutic category, such as segment mix and restrictiveness of coverage for each prescriber, in order to fully understand both the landscape and potential opportunities.

The data requirements can be somewhat more intensive than a top-down approach but ultimately, the insights gained from a bottom-up analysis more than justify the effort.

SE = step edit; SSE = single step edit; DSE = double step edit

## Is It Time to Find Your Brand's Tipping Point?

Deploying a bottom-up model to assess the value of a contracting scenario at the individual prescriber level offers an entirely new perspective—one that paints a clear, precise picture of where a restriction is worth the cost of removal, and where it can be accepted given its minimal impact.

Additional benefits of bottom-up analysis:

- Allows you to consider the impact of contracting with multiple payers at once
- Helps efficiently deploy manufacturers' field resources to engage the prescribers who are most impacted by a given coverage strategy
- Aids in validating results following a contracting agreement—all that is needed is a data set prior to contracting and one after contracting is in place





When does rebating lose its cost-effectiveness?

At Payer Sciences, we are ready to deploy our bottom-up modeling to help you determine the rebate tipping point for your brand across multiple market scenarios.

Learn more about us by [visiting our website](#) or click below to start the conversation.

