INTEGRATED DELIVERY NETWORKS

Learning to Engage With a New Customer With Very Different Needs

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As the healthcare provider landscape rapidly evolves to deliver on the promises of value-based care and efficiencies of scale, integrated delivery networks (IDNs) have emerged as a dominant force in the US market. Meanwhile, biopharmaceutical manufacturers have struggled to understand the needs of IDNs and how to engage with them in a meaningful way.

Leveraging Health Strategies Insights' proprietary syndicated industry research on IDNs, combined with EVERSANA™ MANAGEMENT CONSULTING real-world experience of helping biopharmaceutical brands better address the needs of this critical customer, this article will examine three key elements:

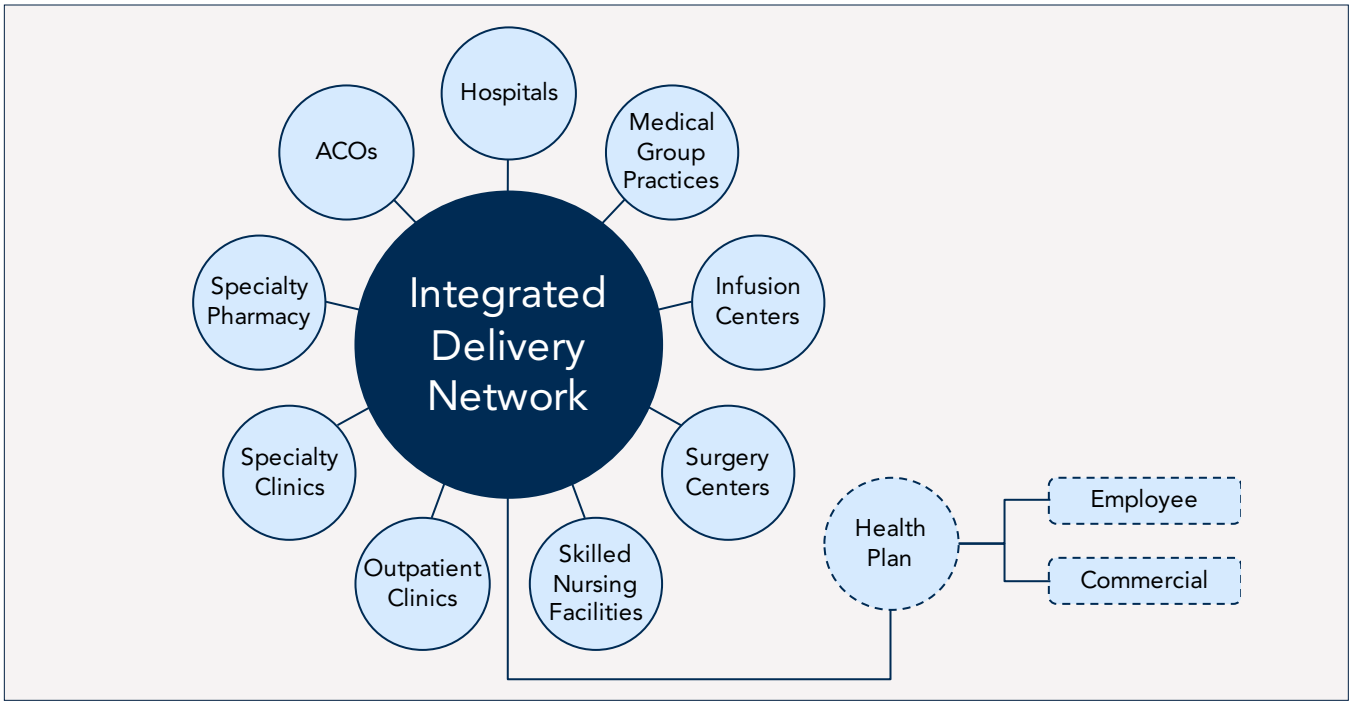
- The rise and evolution of IDNs
- The challenges and implications for biopharma manufacturers attempting to meaningfully engage with IDNs
- Six key institutional channel trends manufacturers should be watching in order to meet the needs of IDNs

The Rise and Evolution of IDNs

Market events—directly or indirectly linked to the Patient Protection and Affordable Care Act (ACA)—are forcing medical groups to adapt to new market demands, transform operations, and position themselves for continued sustainability. The number of stand-alone hospitals is declining, as the increasingly difficult operating environment forces more institutions to join an IDN in order to sustain operations and remain financially viable.

IDNs comprise acute care hospitals, outpatient ancillary facilities, and providers working together to deliver coordinated, quality care across the inpatient/outpatient continuum to specific geographies and populations (Figure 1). In recent years, IDNs have expanded their competencies and geographic range through strategic acquisitions. IDNs are emerging as the dominant institutional care model.

Figure 1 | Components of an IDN



ACO= Accountable Care Organization

IDNs consolidate either horizontally or vertically. In horizontal integration, IDNs expand their scale by adding hospitals to the organization. Vertical integration is a grouping of hospitals that includes ambulatory and outpatient services, infusion clinics, and other ancillary facilities. This consolidation increases coordination of care by having all patient information and data connected. Providing a more complete picture of the patient, the network can be more efficient in managing the patient's health. However, inherent differences between ancillaries (including care philosophies, clinical operations, IT capabilities, and provider heterogeneity) pose serious clinical and operational challenges for institutions seeking to align care vertically.

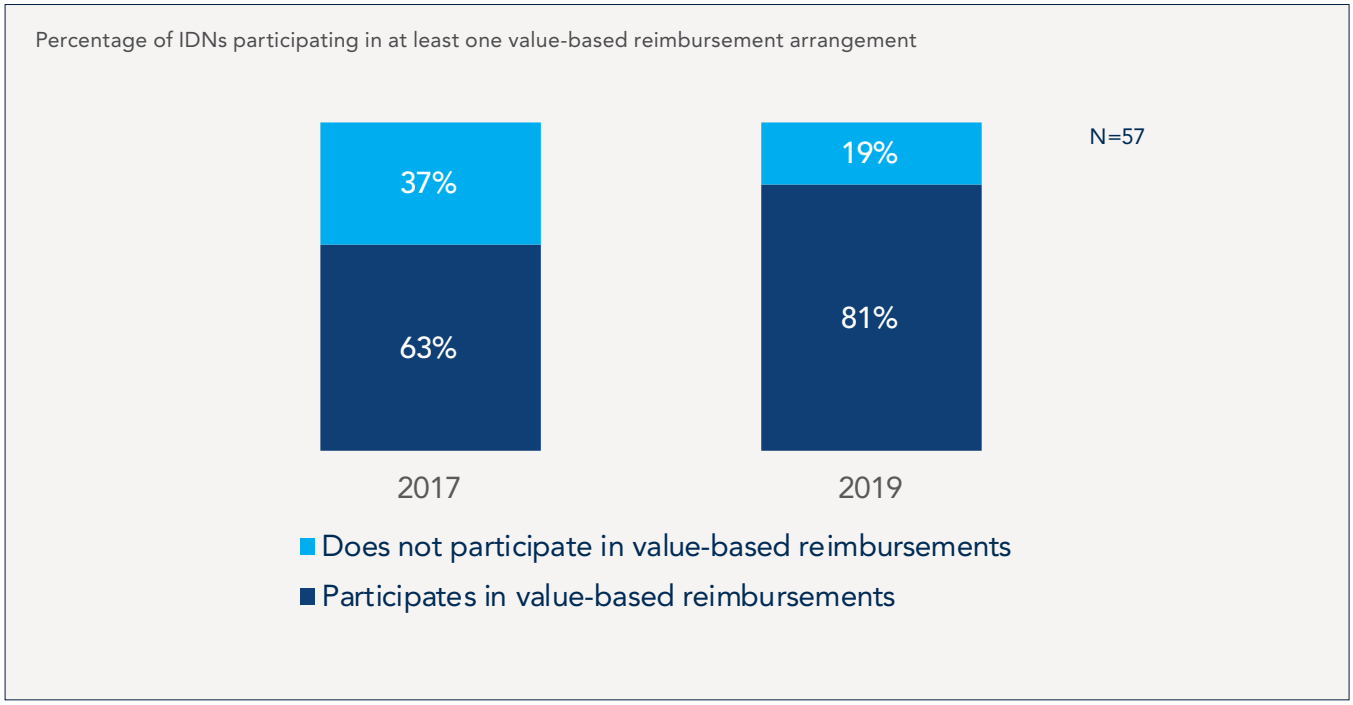
IDNs are heterogeneous, and the level of integration varies, ranging from simple collections of individual doctors to extremely integrated and sophisticated closed systems, such as organizations like Kaiser Permanente.

Though most of these organizations fall within the highly integrated segment, biopharmaceutical companies must recognize and understand specific differences in integration progress, health information technology (HIT) capabilities, and future priorities, tailoring account strategies and tactics according to each customer's business model and priorities.

Drivers and Implications

A major reason for the rise of IDNs is the market push toward a fee-for-value reimbursement model as a way to address continually increasing healthcare costs and lack of good outcome measures in the US market. The traditional fee-for-service or fee-for-volume reimbursement models are giving way to a fee-for-value model in which value is calculated based on patient outcomes, quality of care, and patient satisfaction as weighed against the cost of care. IDN involvement in value-based reimbursement has increased nearly 20% between 2017 and 2019 (Figure 2).

Figure 2 | IDN Participation in Value-Based Arrangements



Source: Health Strategies Insights by EVERSANA, Leading Integrated Delivery Networks, April 2019

The shift toward value-based reimbursement compels IDNs to increase patient access to outpatient care. The goal is to improve outcomes by focusing on population health across healthcare settings rather than at each episode of care. Ownership of the value chain facilitates health system efforts to guide patient care decisions at inpatient and outpatient settings, allowing them to assess physician behaviors, evaluate practice performance against key metrics, and assess value and outcomes across all care settings. IDNs apply financial incentives to stakeholders across the care continuum to promote improvements in care quality and patient satisfaction. This reach has allowed IDNs to implement system-wide formularies to improve management of pharmacy costs across their networks.

Implications for Biopharmaceutical Companies

Historically, pharma was able to achieve success by focusing primarily on promoting to prescribing physicians. However, over the last few years, the pharma industry has encountered increasing challenges, not just in continuing to get the same returns from their R&D and commercial investments for existing in-line or marketed products, but also in having their launch products be accepted by the market, covered by payers, and prescribed by doctors. As IDNs become a bigger part of the healthcare landscape, they are erecting barriers to traditional promotion by limiting access to physicians and instituting prescribing guidelines, pathways, and formulary tools. The result is a significant decrease in the influence of traditional promotional tools, with projections that these efforts may be influencing less than 50% of prescription writing behavior.

To address this rapid change in the marketplace, brands need more than just a compelling clinician value proposition; they need a business value proposition that shows how their products can help meet quality, cost, and patient satisfaction measures that drive healthcare delivery businesses.

When engaging IDNs, first it is important to understand the stakeholders that make up each organization. The size and structure of the organization will usually dictate the makeup of decision makers involved in pharmaceutical product utilization. Typical leadership roles include the Chief Executive Officer and Chief Medical Officer, with director-level roles below them in the medical and pharmacy sectors who may determine areas of focus across and within therapeutic areas, treatment protocols, and utilization of prescription treatments.

C-suite executives represent key targets for biopharmaceutical companies looking to collaborate with IDNs around population health management, as implementation decisions are typically made by c-suite leadership teams, especially among highly integrated and unified IDNs. Beyond the c-suite is a newer set of director-level stakeholders, including quality, clinical, and even functional department leadership who are engaged in population management and outcomes measures.

IDNs commonly partner with health plans on population health initiatives in an effort to increase reimbursement and improve quality measures. In general, IDNs are cautious about working with biopharmaceutical companies due to concerns about misaligned goals and differing agendas. Certain biopharmaceutical company tools—including drug and disease education programs that support population health management and quality efforts—are perceived as valuable. Beyond these traditional solutions, IDN executives are interested in exploring collaborations in patient education programs, protocol development assistance, and data analysis.

On the contracting front, value-based care and population health are driving IDNs to seek non-traditional contracts with biopharmaceutical companies as a key part of overall care. However, IDNs have a difficult time articulating innovative contracting approaches because they are still attempting to understand how the changes in their own contracts with payers will impact their operations and profitability.

This lack of clarity around overall reimbursement hinders their ability to articulate contract innovation. While this appears to be limiting, it does provide biopharmaceutical manufacturers with an opportunity to take a leadership role, and IDNs remain receptive to exploration.

Early targets of value-based arrangements will be high-cost specialty categories. To optimize product access and maintain favorable formulary/protocol placement, biopharmaceutical companies with products in these categories must demonstrate value in lowering overall cost of care (e.g., reduced readmissions, shortened length of stay).

Meeting the Needs of IDNs

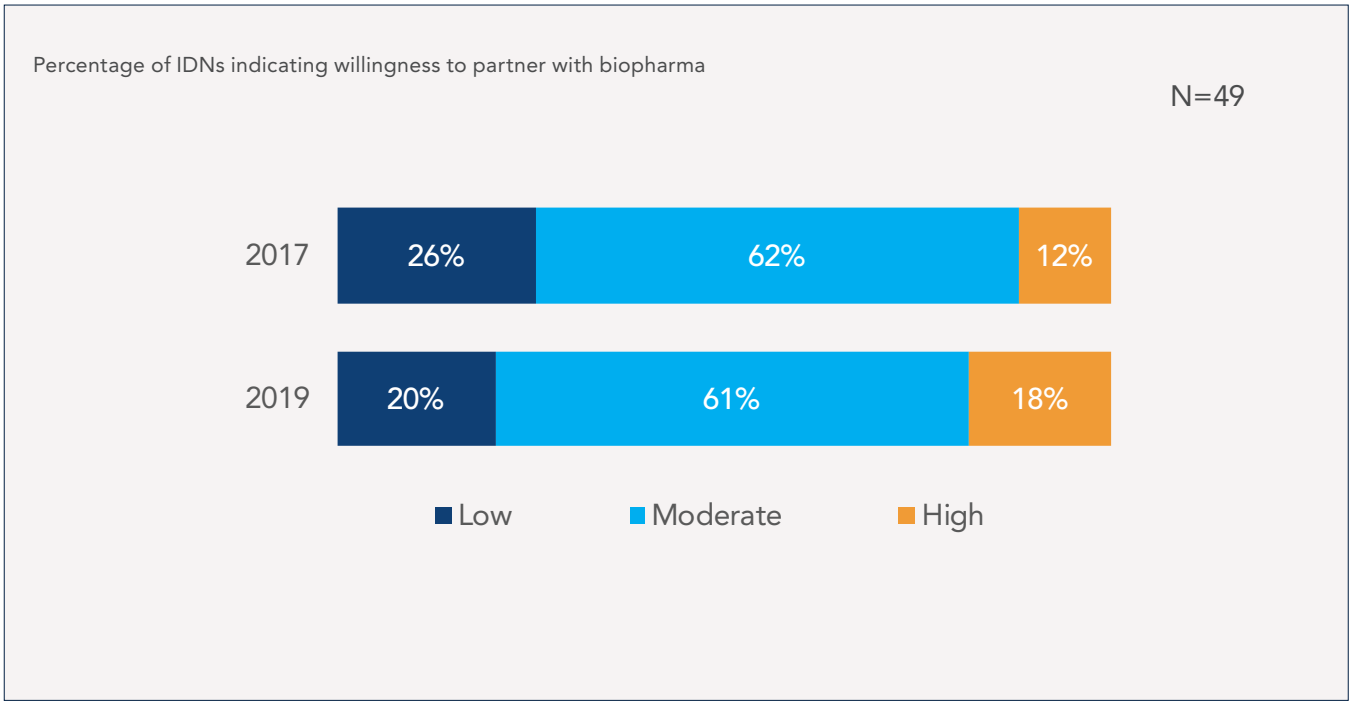
Although slow in adoption, IDN partnerships with biopharma continue to increase, with health systems most interested in collaborations supporting disease and drug education, appropriate product use, and medication compliance. Population health initiatives represent one area in particular where IDNs maintain moderate-to-high interest in working with biopharmaceutical companies (Figure 3).

However, many IDNs report a lack of engagement by these companies, citing this as the primary reason for not working with biopharma to date. Opportunity exists for biopharma companies to increase business potential among IDNs by coming to the table with programs and resources that address institutions' unmet needs. Developing a strategic approach that meets the unique needs of IDNs will require biopharmaceutical companies to adapt to six institutional channel trends.

Trend 1: Evolving value proposition

IDNs do not care about a particular brand, and they are not interested in traditional promotional efforts that focus on how a specific drug or a specific brand fits into their workflow or patient treatment. IDN leadership seeks to understand how drug therapies will support patient subpopulations across the scope of all healthcare settings alongside other interventions.

Figure 3 | Interest in Collaboration on Population Health



Source: Health Strategies Insights by EVERSANA, Leading Integrated Delivery Networks, April 2019

With this as a requirement, biopharmaceutical manufacturers must understand and align their products to the quality measures and cost drivers related to the patient population and the healthcare resources required to provide ongoing patient care and wellness.

Trend 2: Changing customer type

Caregivers are moving from being individual providers or part of small groups to becoming part of these larger IDNs just to stay competitive. In the past, pharma representatives would talk to an individual doctor about the efficacy, safety, and coverage of a treatment. Increasingly, IDNs are developing treatment algorithms instructing their staff as to what products should be used as first-line and second-line treatments. Further, the decision makers in these institutions are MBAs and MDs, focusing simultaneously on the financial and clinical implications of decisions.

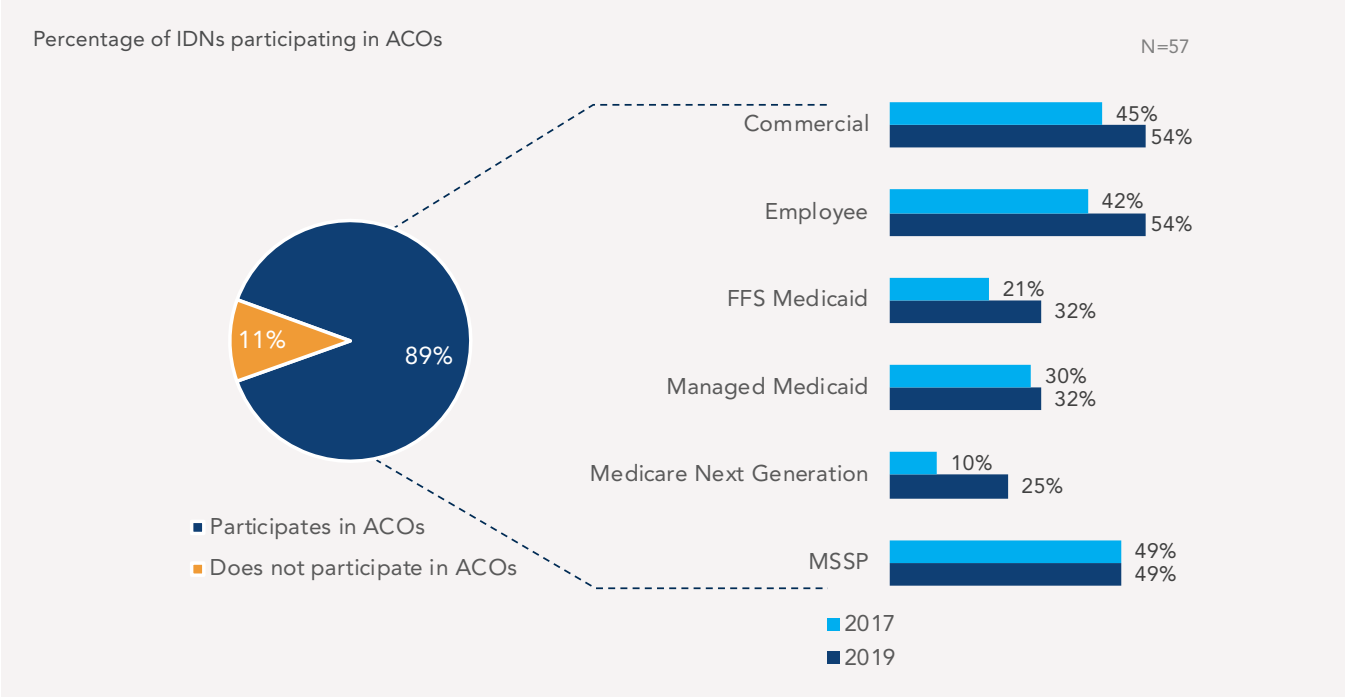
With this change from influencing the behavior of individual prescribers, manufacturers now must identify the right stakeholders with whom to engage and also speak a language that meets the needs of these large organizations. That communication must include a demonstration of how the manufacturer's treatment is going to address the IDN's quality measures and financial goals.

Trend 3: Greater demand for quality

Medicare and Medicaid have clear definitions of quality in a limited number of areas that dictate how healthcare providers are reimbursed for medical and pharmaceutical benefits. One is the Merit Incentive-Based Payment System (MIPS), usually for less sophisticated, smaller providers. The other is Alternate Payment Models (APMs), which are based around risk. Examples of APMs include pay-for-performance, bundled payments, shared savings, and capitation.

Participation in value-based reimbursement agreements and risk-based care models prompts IDNs to rely on biopharmaceutical companies to provide real-world clinical data demonstrating linkage between product use and improved outcomes, facilitating their efforts to develop standardized treatment protocols that effectively meet population health needs. Unlike public programs, commercial insurers are developing and testing a variety of quality measures that, while more challenging, also create opportunities for collaboration with both parties.

Figure 4 | IDNs Expand Participation Across Multiple ACO Models



FFS = Fee-for-Service; MSSP = Medicare Shared Savings Program
Source: Health Strategies Insights by EVERSANA, Leading Integrated Delivery Networks, April 2019

Trend 4: Stronger control over ancillary/outpatient facilities

IDNs continue to strengthen control over clinical decisions by implementing advanced pharmacy management strategies (e.g., system-wide formularies, protocol mandates, quality performance reporting) that restrict provider choice across the care continuum. Not only do the IDNs control what treatment a patient will receive while in the hospital, but patients under the IDN's coverage also will be subject to preferred drug lists. Securing product inclusion in outpatient preferred drug lists will be crucial to continued access as health systems exert increasing influence.

Trend 5: Growing demand for risk sharing

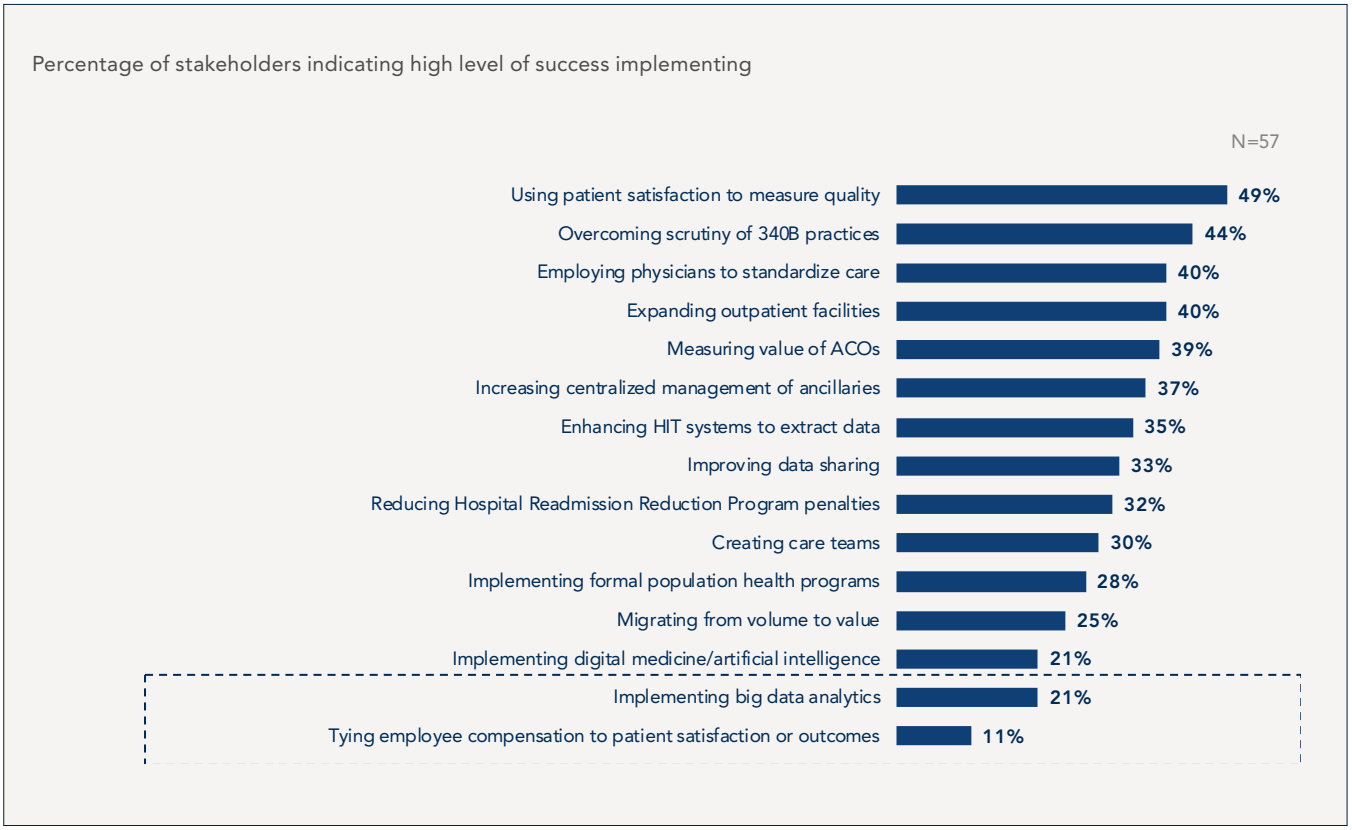
IDNs are assuming greater upside and downside risk through commercial health plan expansion and participation in accountable care organizations (ACOs), which tie payments to quality metrics and the cost of care. Presently, 89% of IDNs participate in ACOs (Figure 4).

As ACO participation continues to rise, IDNs are increasingly seeking methods to mitigate potential financial losses, prompting them to intensify demand for risk-sharing contracts from biopharmaceutical companies.

Trend 6: Big data solutions to population health challenges

Stakeholders across IDNs consider population health crucial to business success and are looking to increase use of digital health initiatives to support population health efforts. While many IDNs capture a vast amount of data through HIT systems, most currently lack the internal capabilities to conduct advanced analytics needed to identify at-risk patients and track patient outcomes across the care continuum (Figure 5). Biopharmaceutical companies that can assist systems in these areas demonstrate value and distinguish themselves as true institutional partners, increasing collaboration opportunities and improving business potential.

Figure 5 | Successful Implementation of Population Health Tactics



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Conclusion

By taking a number of proactive steps, manufacturers can build a strategy for effective IDN engagement. A successful engagement framework should begin with building a fact base, surveying the IDN landscape to understand the unique aspects of every type of IDN. This effort should focus on answering a number of important key business questions, including:

How does the drug category rate in terms of relative importance to each IDN organization?

How are IDNs structured around this category?

Which IDNs might be seeking solutions that the manufacturer can help with?

Who are the leaders within those IDNs that manufacturers need to be talking to?

What are the priorities or needs of each IDN as it relates to increasing quality and patient satisfaction and lowering cost within a given therapeutic area or condition?

What are the manufacturer's capabilities as it relates to delivering on some of those needs or priorities?

Can the manufacturer deliver on that value proposition based on its capabilities?

Is it necessary to strengthen certain capabilities, such as health economics and outcomes research, or is it necessary to find a partner to help?

Based on the therapeutic area or condition, what Merit-based Incentive Payment System (MIPS) measures and Alternate Payment Models are being developed in that category?

What are the manufacturer's competitors doing as it relates to engaging with IDNs?

The fact base can then be used to segment accounts and identify key influencers within IDNs. The next step will be to develop an overarching go-to-market strategy, including the critical task of ensuring an appropriate structure and skill set are instituted within the selling team.

As the rapidly evolving healthcare provider landscape becomes increasingly characterized by IDNs, understanding what is driving this evolution, and the implications, will enable leading biopharma players to best address this important customer segment's needs now and in the future.

With deep industry and functional area knowledge and specialized expertise in market assessment, analytics, and strategy development, EVERSANA MANAGEMENT CONSULTING can assist pharma and biotech organizations with building a framework for IDN engagement. And as a part of EVERSANA—the leading independent provider of global services to the life science industry—we are well positioned to help biopharma organizations meet the opportunities and challenges presented by the rise of IDNs.

About the Authors

A Senior Principal with EVERSANA MANAGEMENT CONSULTING, Sean Rapson is focused on defining and delivering vision and strategy at the corporate, portfolio, and brand levels while taking into account the evolving stakeholder dynamics in the US biopharmaceutical market, as well as digital capabilities that are rapidly transforming how biopharmaceutical companies develop therapies, commercialize brands, engage stakeholders, and generate and act on insights.

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