Launching into value:
Pharma's quest to align drug prices with outcomes
Most pharmaceutical company executives say their companies have not participated in a value-based contract

Does your organization currently use value-based drug contracts of any kind?

- Yes: 25%
- No: 61%
- Do not know: 14%

If yes, when did your organization begin using value-based contracts?

- In the last year: 15%
- In the last five years: 35%
- Between 5 and 10 years ago: 27%
- More than 10 years ago: 15%
- Do not know: 8%

If yes, how many value-based contracts has your organization participated in?

- 1–5: 24%
- 6–10: 12%
- 11–20: 12%
- More than 20: 32%
- Do not know: 20%

Source: PwC Health Research Institute pharmaceutical executive survey, 2017
Most pharmaceutical executives that have participated in a value-based contract report a successful outcome

How successful have your value-based drug contracts been?

- Very successful 32%
- Somewhat successful 48%
- Not very successful 8%
- Do not know 12%

Will you seek to renew current value-based contracts or sign new ones, based on your past experiences?

- Very likely 50%
- Somewhat likely 36%
- Do not know 8%

Source: PwC Health Research Institute pharmaceutical executive survey, 2017
Value-based contracts are most concentrated in competitive, high-cost therapeutic areas

Source: PwC Health Research Institute pharmaceutical executive survey, 2017
Value-based contracts are formed most often in the pre-commercial period, and at the time of a new drug launch

- Pre-commercial, before product has received regulatory approval 34%
- At time of a new product launch, following regulatory approval 28%
- Later in a product’s life cycle, at least one year after launch 18%
- At the end of a product’s life cycle, as it nears patent expiration 4%
- After a brand product’s patent has expired 4%
- Do not know 8%

Source: PwC Health Research Institute pharmaceutical executive survey, 2017
Pharmaceutical executives believe that private insurers are the most capable of participating in value-based contracts, and federal or state insurers are the least capable

<table>
<thead>
<tr>
<th>Capability Level</th>
<th>Private Insurers</th>
<th>US Federal or State Payers (Medicare, Medicaid, VA)</th>
<th>Managed Care Organizations</th>
<th>Accountable Care Organizations</th>
<th>Pharmacy Benefits Managers</th>
<th>Hospitals or Health Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very capable</td>
<td>25%</td>
<td>17%</td>
<td>25%</td>
<td>19%</td>
<td>19%</td>
<td>13%</td>
</tr>
<tr>
<td>Somewhat capable</td>
<td>44%</td>
<td>36%</td>
<td>40%</td>
<td>35%</td>
<td>37%</td>
<td>46%</td>
</tr>
<tr>
<td>Not very capable</td>
<td>11%</td>
<td>19%</td>
<td>12%</td>
<td>10%</td>
<td>14%</td>
<td>17%</td>
</tr>
<tr>
<td>Not capable at all</td>
<td>5%</td>
<td>10%</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>16%</td>
<td>19%</td>
<td>18%</td>
<td>30%</td>
<td>25%</td>
<td>19%</td>
</tr>
</tbody>
</table>
Government pricing concerns, privacy issues and anti-kickback laws are among the top value-based contract regulatory barriers

Source: PwC Health Research Institute pharmaceutical executive survey, 2017
Agreeing on drug performance metrics between partners represents a significant operational hurdle

- Management of drug performance monitoring, data collection or analysis 17%
- Agreement between partners on metrics used to evaluate drug performance and patient outcomes 29%
- Lack of clear financial incentive to participate in value-based contracts 15%
- Lack of trust between partners 3%
- Financial risk associated with poor patient outcomes or underperforming products 16%
- Lack of interest among commercial leaders at your organization 3%
- Others 7%
- Do not know 10%

Source: PwC Health Research Institute pharmaceutical executive survey, 2017
Only a small portion of the biopharmaceutical industry offers indication-specific drug pricing

Source: PwC Health Research Institute pharmaceutical executive survey, 2017
Most pharmaceutical executives don’t believe the benefits of a value based contract exceed the risks

Value-based contracts are an opportunity to improve patient outcomes and reward manufacturers for bringing innovative and effective products to market.

The potential rewards of a successful value-based contract are commiserate with or exceed the risks.

Value-based contracts can help mitigate public pressure on drug pricing practices.

*28%* is the base figure representing all survey respondents who strongly agreed with this statement. However, biopharma companies with 50 or more products on the market, 41% strongly agreed.

Source: PwC Health Research Institute pharmaceutical executive survey, 2017
Pharmaceutical executives see more opportunity in data sharing than insurance executives

Our organization would benefit from a data sharing partnership with health insurers.

Launching into Value Survey Results

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Somewhat agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>37%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Payer of the Future Survey Results

- Strongly agree 28%
- Somewhat agree 21%

Our organization would benefit from a data sharing partnership with other biopharmaceutical companies.

Payer of the Future Survey Results

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Somewhat agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Launching into Value Survey Results

- Strongly agree 25%
- Somewhat agree 25%

Source: PwC Health Research Institute pharmaceutical executive survey, 2017; PwC Health Research Institute insurance executive survey, 2016-2017
Pharmaceutical executives recognize a need to control the growth of drug prices, but less than a quarter plan to limit price growth next year

Is your organization considering limiting the growth of drug price during the next fiscal year?

- Yes 23%
- No 53%
- Do not know 24%

Do you think the industry should consider limiting the growth of drug prices during the next fiscal year?

- Yes 44%
- No 44%
- Do not know 12%

Source: PwC Health Research Institute pharmaceutical executive survey, 2017
Over half of surveyed executives think new federal or state drug pricing laws are likely to be enacted

- Very likely 10%
- Somewhat likely 44%
- Somewhat unlikely 25%
- Very unlikely 11%
- Do not know 10%

Source: PwC Health Research Institute pharmaceutical executive survey, 2017
Just over a third of executives think President Trump is likely to enact new drug pricing laws

- Very likely 15%
- Somewhat likely 26%
- Somewhat unlikely 30%
- Very unlikely 22%
- Do not know 7%

Source: PwC Health Research Institute pharmaceutical executive survey, 2017