Integrated Delivery Networks (IDNs) vs. Independent Community Practices

A Comparative Overview

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Key Facts About IDNs

Fully integrated IDNs are complex, matrix organizations with centralized decision-making. These multi-level organizations require you to acquire specific kinds of information which can help you understand the levels of influence.

As the IDN marketplace matures IDN's are struggling for a competitive advantage through differentiation from other IDNs and healthcare settings.

IDNs tend to be centralized, meaning decisions are made at the main institution

Large IDNs, that can service the needs of a broad group of patients, can usually control a significant portion of a healthcare marketplace. This strength provides leverage with payers, employers and providers. Increasingly, IDNs are entering into risk-based contracts where they assume a certain level of risk for providing better patient outcomes.

"IDNs that offer a health plan often carry the brand name and a biosimilar on their formulary and may try to negotiate pricing with the biosimilar manufacturer."

Key Facts About Independent Community Practices

- Physician practices vary in size, from the solo practitioner to practices with over a dozen physicians practicing across several office locations.
- In most practices, the physicians are the key decision-makers with input from the practice manager around work flow and staffing needs.
- You may find, in some very large practices, multiple levels of decision-making.
- With declining reimbursement and the push for value-based care, practices may struggle to remain profitable.

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Decision Makers and the Organizational Chart of IDNs

Key IDN stakeholders have evolved as the IDN model has evolved. These stakeholders, many of which are new, came into existence to accommodate the changes in the organizational structure and mission that places a greater emphasis on patient outcomes and provider performance.

Organizational Chart

Click to view the Organizational Chart of IDNs

Influencers:

At the Influencer level you will find members of the C-Suite. Newer roles, such as Chief Population Health Officer, Chief Quality Officer, and Chief Patient Experience Officer, are more focused on reimbursement and performance measures. They may not sit on a P&T committee but they influence product access and utilization through system-wide tools that affect physician behavior, such as drug order sets, clinical pathways, and performance metric tracking.

Compared to a private practice, an IDN takes a more global perspective around population health, the financial consequences of hospital readmissions, and side effect management.

Gatekeepers:

Gatekeepers often include pharmacy staff, especially those involved in the formulary acceptance process and usage restrictions. Clinical outcomes and cost considerations are important to gatekeepers. They will also be likely to evaluate drug impact across a variety of care settings.

Champions:

Champions tend to be those most associated with the use of your product, so physicians, nurses and clinical pharmacists typically fall into this category. Champions also consider improvements, over the standard of care, in various care settings.

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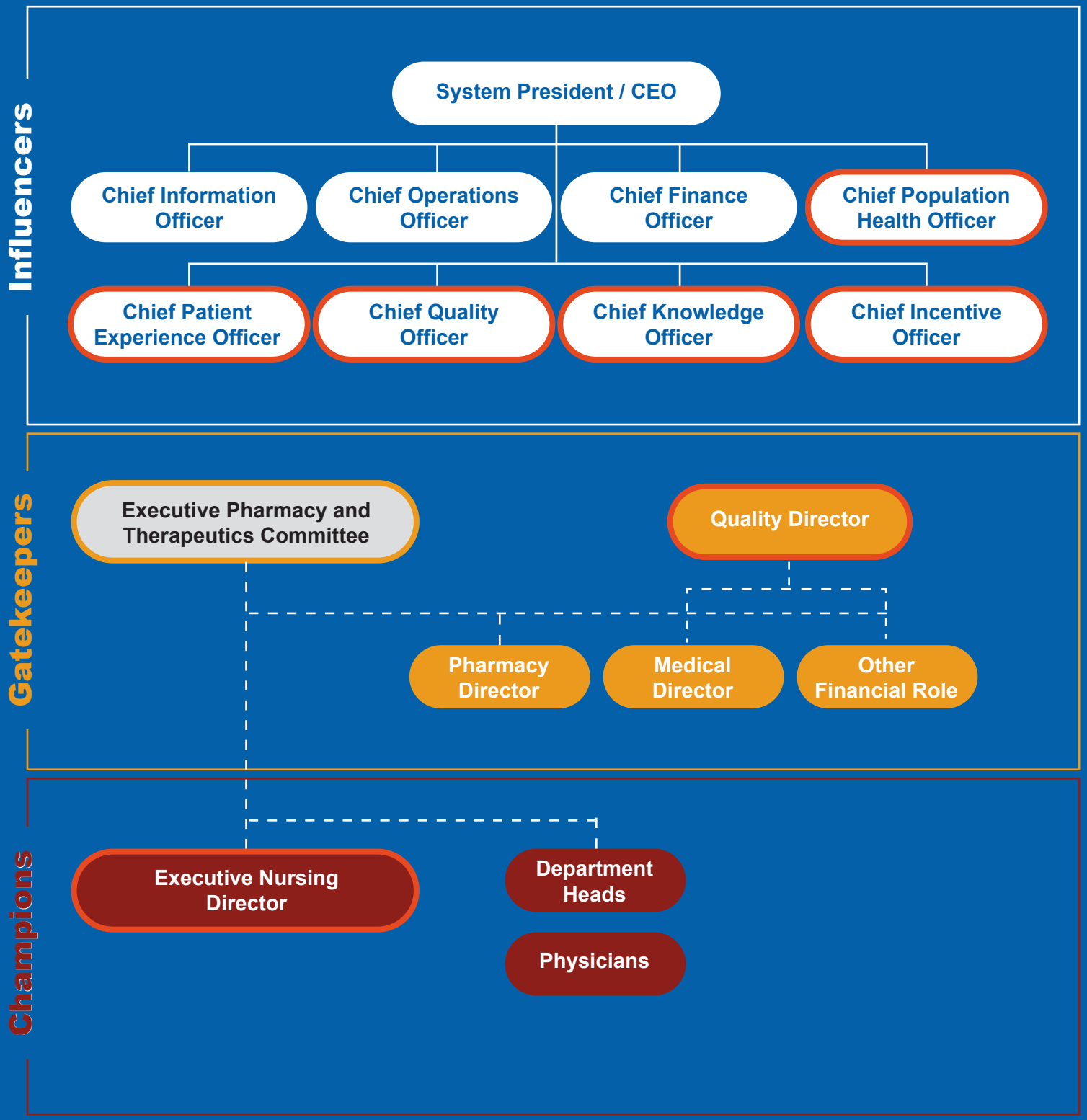
Example of IDN Stakeholders



Decision Makers and the Organizational Chart of Independent Community Practices

Organizational Chart 01

Click to view the Organizational Chart of Small to Medium Practices

Organizational Chart 02

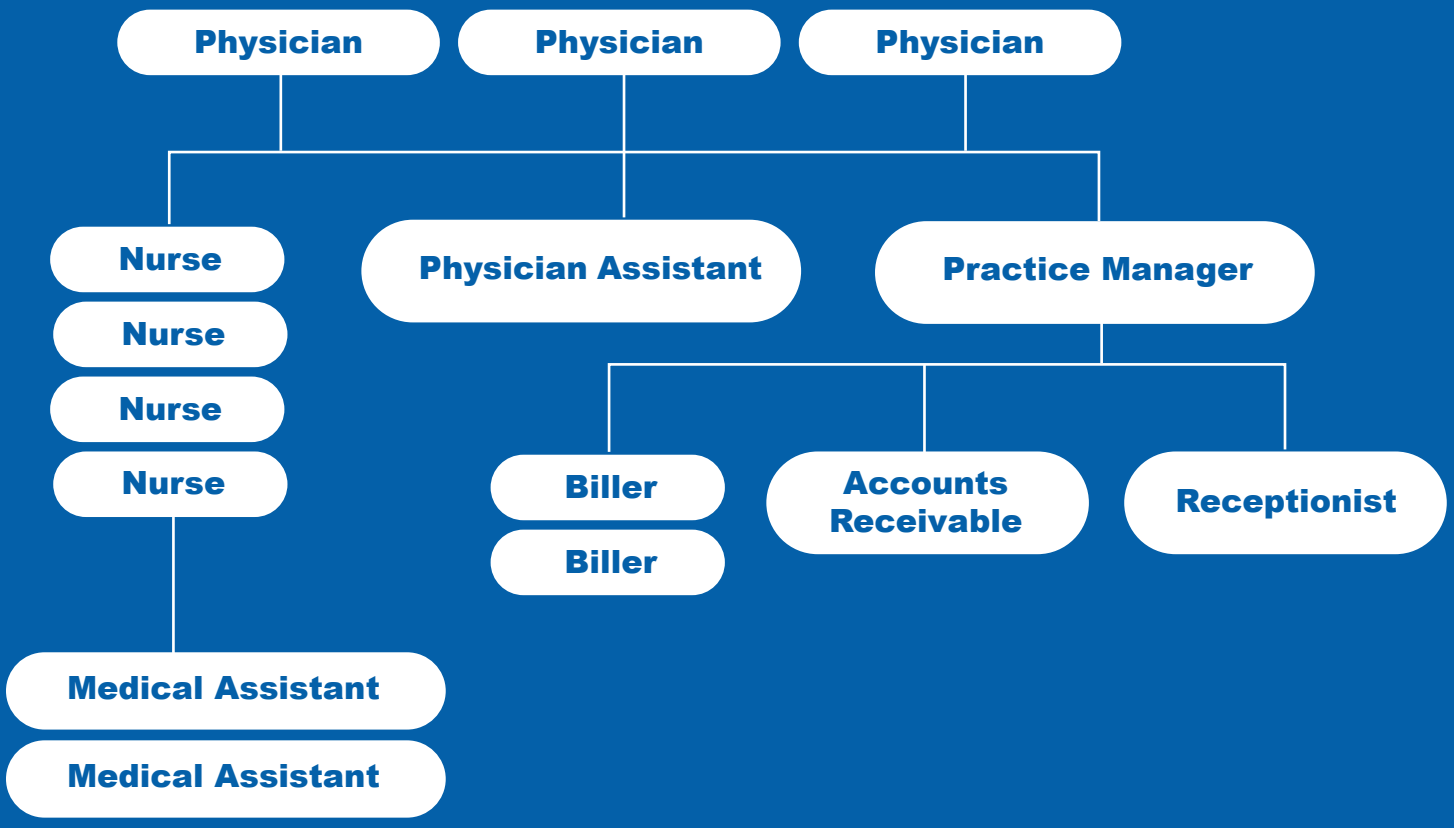
Click to view the Organizational Chart of Large Practices

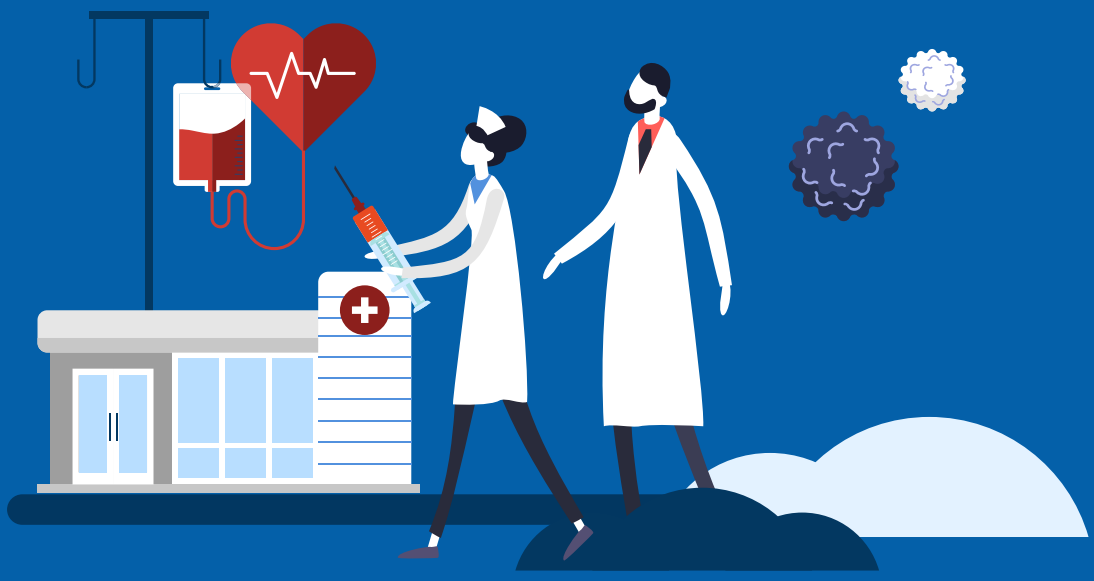
In many practices, the physician continues to be the primary decision-maker around choice of treatment, with drug efficacy and safety as primary concerns. Practice Managers can influence treatment decisions by supplying cost-benefit information to the physicians.

As practices grow in size they may grow in complexity, with additional layers of management. If the practice includes a Chief Executive Officer(CEO) or Chief Medical Officer(CMO), they may exert a downward pressure on the individual physicians to prioritize the most cost-effective treatments. Individual physicians will need to champion drugs they want to use.

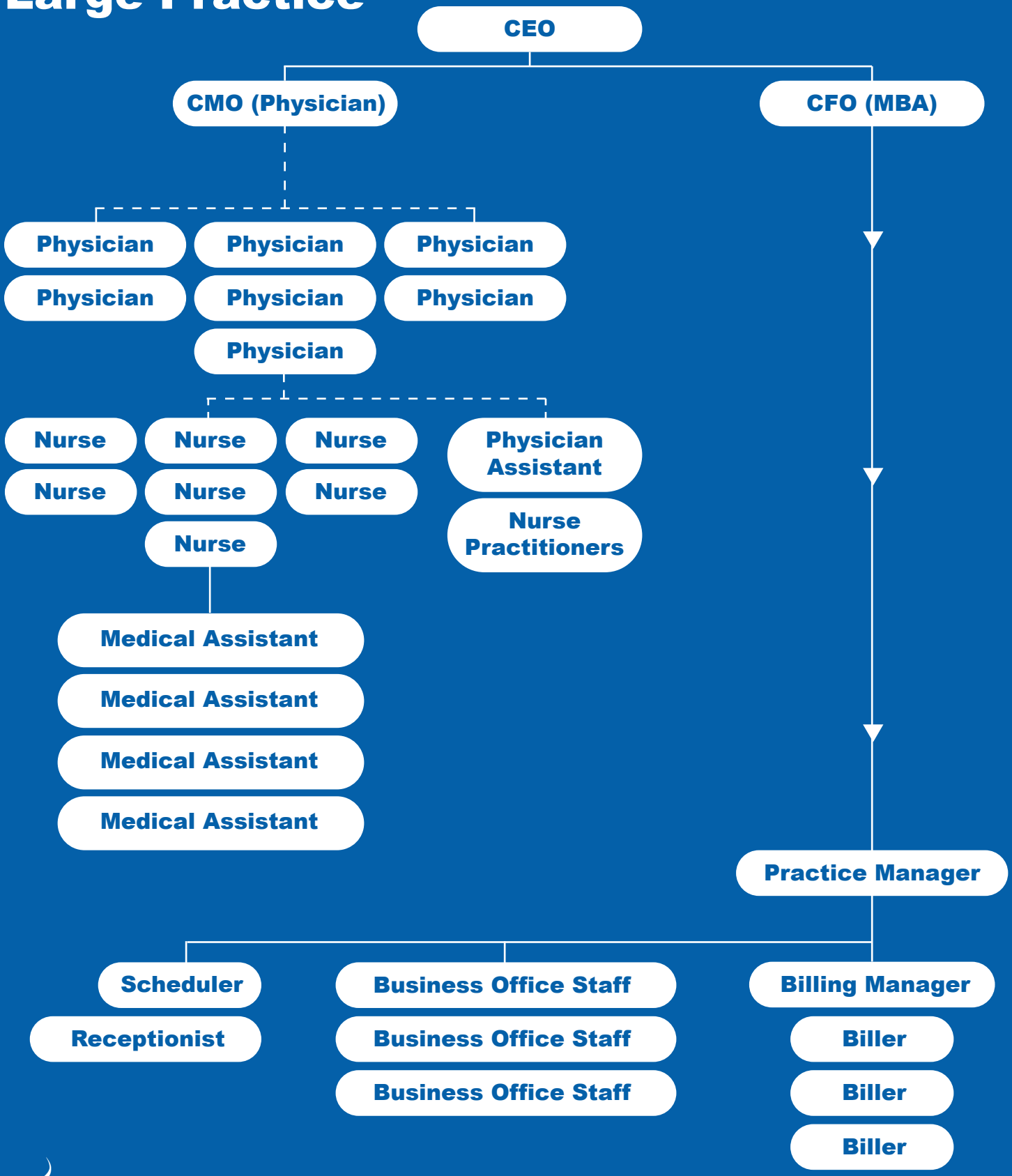
The stakeholders within an independent practice may include a CEO or CMO. As an Account Manager, it is your responsibility to connect the right people in your organization to these stakeholders for Zone 2 and Zone 3 conversations. Stakeholders may want to have a variety of different types of discussions including efficacy and safety, ordering and storage, and/or acquisition costs and even the reimbursement amounts from key payers. The CEO and CMO may also want to know how drug administration affects patient flow within the infusion area since that can affect overall practice efficiency.

Organizational Chart for Small to Medium Practice





Organizational Chart for Large Practice



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Drug Acquisition: How Does Decision-Making Differ?

IDNs

IDNs, through the formulary decision process, determine which drugs a physician can use in various sites of care within the IDN. A 2017 survey showed that 63% of IDNs utilize a system-wide formulary.

340B Drug Pricing Program

Click to view information on 340B Drug Pricing Program

The Formulary and P&T

Click to view information on the Formulary and P&T

As interchangeability data becomes available, IDNs will be able to use policies around “therapeutic interchange” which can help streamline and standardize formularies.

Highly integrated IDNs may be able to leverage their size, scope of services, and market penetration to negotiate favorable drug prices.

With regard to drug acquisition prices , 340B-eligible hospitals will take the 340B price into consideration when determining drug usage guidelines for outpatient settings.

Drug efficacy, safety and cost are the main criteria when managing a formulary. While acquisition cost is always a factor, it isn’t the only cost consideration. Hospitals, focused on value-based care, quality outcomes, and the health of the population they serve, will also look at how a drug impacts hospital readmission rates, quality metrics, and any need for additional hospital resources.

Beyond a formulary, IDNs also control prescribing patterns via financial incentives, use of Computerized Physician Order Entry (CPOE) systems and clinical pathways, often programmed into the electronic health Record (EHR) system which limit a physician’s choice of treatment.

> ***“IDNs, which can also include academic medical systems, may be more inclined to prescribe biologics and biosimilars, among other newly developed drugs.”***

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340B Drug Pricing Program

Section 340B of the Public Health Service Act allows certain hospitals and health organizations, who serve a significant number of low income and uninsured patients, to access drugs at a significant discount in order to stretch limited federal resources to reduce the price of outpatient drugs and provide more comprehensive services to the patients and communities they serve.

The program allows eligible healthcare entities to purchase drugs, biologics and biosimilars at a discount. The 340B ceiling price is the average manufacturer price[AMP] minus a minimum rebate percentage of 23.1% for branded drugs, biologics and biosimilars and 17.1% for generic and OTC drugs.

This deep discount has resulted in IDNs shifting administration of outpatient drugs, away from the practices they own, to their sites of care that align with the 340B guidelines and provide greater profitability.

Lower prices, due to the 340B discount, for the reference biologic may dampen uptake of the biosimilar in the hospital outpatient setting.

The 2018 Medicare hospital outpatient prospective payment system(OPPS) rules included a drastic change in reimbursement, for 340B drugs, from ASP+6% to ASP minus 22.5%. This change was opposed in court and was found to be unlawful. The Centers for Medicare and Medicaid Services (CMS) appealed the court's decision in late 2019 and a ruling has yet to be determined.

Since biosimilars are treated as innovator products, by Medicare, and are afforded "pass-through status", which means that 340B-eligible hospitals will be reimbursed at ASP+6%, rather than the ASP minus 22.5%. This provides a financial advantage, to the IDN, to use the biosimilar. It appears that CMS will continue to grant pass-through status in support of increasing access to lower cost drugs.

As of 2020, the new reimbursement rate remains in effect for many of the 340B drugs administered in hospital outpatient settings. In the meantime, CMS has proposed an alternative change in reimbursement to ASP minus 3% in case they lose the ongoing litigation.

The Formulary and P&T

> ***With regard to adoption of biosimilars: "We still need to see some savings opportunity to make moves, but for an IDN like us in which all physicians are employed, we can make moves much more easily."***
>
> ***Pharmacy Director, IDN***

Most IDNs will establish a formulary, or list of drugs approved for use within the IDN sites of care, and medication use policies. This is often a unified decision that applies to all sites of care within the IDN. The committee's goal is to promote the rational, appropriate, and safe use of drugs while fostering cost-effective therapy.

The Pharmacy & Therapeutics Committee is made up of key stakeholders from various sites of care. These stakeholders can include representatives of medical services and the nursing department, the chief pharmacy officer or pharmacy director, a medication safety officer, quality assurance staff, a director of formulary management, and clinical pharmacists from various specialties or sites of care. While the P&T committee makes the final decision, there may be specialty panels that provide recommendations. Stakeholders will sit on appropriate specialty panels.

Panel recommendations are usually based upon a drug monograph. The monograph, prepared by the pharmacy department, includes analysis of the drug's pharmacokinetics, efficacy, safety, risk evaluation and mitigation strategies, and cost.

At specified intervals, usually four to six times a year, the P&T reviews the recommendations and decides upon the drug's formulary acceptance.

Drug Acquisition: How Does Decision-Making Differ?

Physicians, in most practices, are the final decision-maker around treatments for their patients. In most cases, the physician orders a drug and it is purchased and stored until the patient comes for their treatment.

After considering a drug's efficacy and safety, the physician's remaining decision criteria include the patient's insurance coverage and whether they can purchase and administer the drug for less than they will receive from the payer and the patient using the Buy-and Bill model.

In larger practices the physician may need to present justification for a more expensive drug, including clinical and economic factors. This can also be the case when a physician wants to administer a new drug whose reimbursement may be uncertain.

> ***"Successful partnerships happen when manufacturers listen to our goals and find unique ways to align with us. We are able to determine success by evaluating whether or not both the manufacturer and the health system got what they needed from the agreement."***

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Making Connections: Tips for Success with IDN Opportunities in Zone1 and Zone 2

Important Research:

- Review the IDN's website to gain insight into the organizational structure.
- How integrated is the IDN?
- Who are the decision-makers and what are their concerns?
- How do they prioritize oncology care; is there a Cancer Center within the network?
  - How independent is the Cancer Center?

Centralized control over drug utilization:

- What formularies are currently in place?
- Clinical pathways
  - How do they integrate biosimilars?
- CPOE systems
  - Are prescribers offered a biosimilar alternative?

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Making Connections: Tips for Success with IDN Opportunities in Zone1 and Zone 2

P&T Process:

- Does the process differ for a biosimilar?
- What information can you provide to assist in the formulary process?

What is the Pharmacy Department's perspective on switching patients to biosimilars?

Sites of Care [Hospital Outpatient, Cancer Center, Infusion Centers]

- Does the IDN prioritize one care setting over others?
- How is your product reimbursed in that setting?
- Who buys drugs in that setting?
- Is the hospital 340B-eligible?

Stakeholder Priorities

- Identify the stakeholder product champions and any information they will need.
- Know who you are talking to and their decision criteria around drug choice, especially biosimilars. Your tailored value proposition may be helpful.
- Acquisition cost may not be the driving influence, ensure you identify how your product aligns with the IDN's healthcare delivery mission.

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