

WHITE PAPER

Standardized Pricing

An Antidote to Long-Standing Care and Cost Outcomes Analysis Frustrations



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CONTENTS:

- 3** Standardized Pricing: An Antidote to Long-Standing Care and Cost Outcomes Analysis Frustrations
- 5** Standardized pricing to the rescue
- 6** Pulling insights out of data
- 8** Empowerment via easy data analysis



Standardized Pricing: An Antidote to Long-Standing Care and Cost Outcomes Analysis Frustrations

Fast forward some 170 years and life sciences company leaders are still experiencing frustrations that are reminiscent of Nightingale's travails. Consider this common scenario: A life sciences company has been providing a particular treatment for a few years. The drug was proven to be efficacious via clinical trials. Leaders at the company now want to make claims about how the drug is producing optimal care results in the real world. To assess this real-world effectiveness, leaders need to have a handle on both clinical outcomes and costs. Indeed, cost figures into the equation on many levels, as exorbitant costs could lead payers and providers to shy away from providing the therapy and high out-of-pocket costs could lead individuals to delay or even forgo needed treatments.

Understanding costs and outcomes, however, is a daunting challenge. To prove that patients are getting effective and cost-efficient treatments in the real world, life sciences leaders need to address questions such as:

- Are patients taking the drug as directed?
- Are patients having less or more physician visits after starting the therapy?
- Is the drug having a positive or negative impact on overall healthcare utilization?
- Is the drug curing patients? For example, if it is a cancer drug, is it moving patients toward remission?
- Is the treatment reducing the comprehensive cost—or the overall burden of care for individual patients? For the entire patient population? For healthcare payers?

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In attempting to arrive at the truth, I have applied everywhere for information, but in scarcely an instance have I been able to obtain hospital records fit for any purposes of comparison. If they could be obtained, they would enable us to decide many other questions besides the ones alluded to. They would show subscribers how their money was being spent, what amount of good was really being done with it, or whether the money was not doing mischief rather than good.

— Florence Nightingale, 1863¹

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“Life sciences companies need to understand and leverage cost-of-care intelligence data to demonstrate where their therapies will make a difference to the current treatment landscape, reducing the burden for a patient across cost and improvement of outcome. This empowers companies to provide irrefutable evidence that their therapy will provide patients with an overall improvement over the current standards of care in the market,” said Shannon LaRusso, Senior Vice President Product Management and Strategy, PurpleLab.

The problem is that traditional claims data does not readily provide life sciences companies with the information to make these proclamations. Unfortunately, relying on standard claims data to assess cost of care is often an exercise in frustration, as claims data typically provides charges by claim, and it’s difficult to understand cost of care of a patient encounter.

What’s more, cost of care is difficult to understand because billing data for claims varies from data source to source in format and fill. Some sources provide the actual charge amount on the submission claim while others provide the actual allowed and/or paid amounts in the remittance data, and others provide the vendor’s own calculated pricing. This makes it difficult to capture costs for an entire patient journey, as the methodology varies from data vendor to vendor without any insight into the approach.

“It’s very difficult because leaders struggle to understand the comprehensive cost of care for a patient. In addition, RWD charged amounts are misleading as they are not representative of the payer or patient burden of cost,” said Christa Haines, Senior Director Methodology. “In order to truly assess overall costs, we need to understand a patient’s healthcare utilization, including potential comorbidity that may arise through poor adherence due to the cost of therapy and care.”

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– Shannon LaRusso, Senior Vice President Product Management and Strategy, PurpleLab.

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Standardized pricing to the rescue

Data analytics platforms that leverage standardized pricing can help. Standardized pricing simulates the “allowed” amount—the total amount that the provider can expect to receive for their services from both the payer and the patient. As such, standardized pricing eliminates data gaps and provides life sciences companies—as well as payers and providers—with insight into the total cost of care for individual patients or patient populations and makes it easier for healthcare organizations to benchmark quality and output. Such analysis empowers life sciences companies to move forward strategically.

PurpleLab™ CLEAR Claims, which includes a standardized pricing methodology (as well as other methodologies) streamlines market and clinical utilization research by natively harmonizing and transforming raw claims data. By reducing the time, effort and costs associated with traditional claims data ingestion and preparation, CLEAR Claims simplifies querying and the democratization of claims-driven insights without sacrificing data quality and integrity.

CLEAR Claims includes three types of standardized pricing: adjusted price, geographically adjusted price and line of business adjusted price for services. Using only the most recent Centers for Medicare and Medicaid Services (CMS) fee schedules across all years makes pricing calculation, maintenance, documentation and usage both accurate and easy.



Pulling insights out of data

With standardized pricing, it's possible for life sciences companies to truly leverage data. More specifically, standardized pricing makes it possible to perform various analyses including provider profiling, per-member per month costs and medication analysis.

As such, life sciences company leaders are empowered to:

- Account for the differences in payment between what is covered by commercial payers and Medicare
- Easily identify duplicate and resubmitted claims
- Mitigate errors associated with missing service codes, misclassified claims and invalid unit amounts, all of which can produce an inaccurate price
- Determine how specific populations—such as diabetic, lung cancer, asthma or Alzheimer's patients—are using clinical services
- Compare the cost of one particular drug to another for the treatment of a specific condition
- Assess which drugs are most and least commonly prescribed for certain conditions
- Determine the total cost of care for certain patient populations by site of service. For instance, such analysis could reveal that Alzheimer's patients cost \$500 per patient per month in California but \$750 per patient per month in New York.

“For life sciences companies, and other healthcare organizations, it is essential to know not only the cost of a specific line of therapy but also the cost of all visits and services for those patients to fully evaluate the impact that therapy had on their total cost of care,” Haines said.



Life sciences leaders can leverage these comprehensive insights for a variety of purposes including:



Competitive landscaping. “Leaders need to understand what the market looks like right now. What is the actual burden on patients with a certain condition such as lung cancer? What is the burden of healthcare on those particular patients under their current therapies? Leveraging real-world data (RWD) with standardized pricing can accelerate this process and provide RWE in support of these efforts,” LaRusso said.

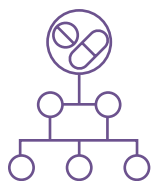


Food and Drug Administration (FDA) approval. “When you’re engaging with the FDA during the drug approval process, companies need to demonstrate that their therapy is bringing something novel to the current landscape of treatments,” LaRusso said. “Leaders want to be able to demonstrate that there is efficacy or viability in that market, and they can use the cost data in order to demonstrate where their drug provides an edge in care.”



Analysis of healthcare outcomes and costs for various conditions. Provide the analysis for a specific drug that is used to treat a defined condition. The analysis could reveal if there is an overall improvement in healthcare resources utilization as well as outcomes, as indicated by the number of patients who are going into remission and are surviving.

Similarly, standardized pricing could be leveraged to assess and address total cost of care for chronic conditions such as Alzheimer’s or diabetes.



Improved positioning on formularies. If a life sciences company can demonstrate that overall outcomes are better and economic burden is reduced with a particular drug as compared to competitors, then it is possible to campaign for better positioning on drug formularies; which are lists of covered prescription drugs that are often divided into tiers and used by healthcare payers as they approve treatment reimbursements.

“With the analysis, it might be possible for a life sciences company to move its drug from a third-line therapy to a second-line or even first-line therapy,” LaRusso said.



Publication efforts. Life sciences companies can publish healthcare outcomes economics research results in various academic journals, healthcare industry trade publications and promotional materials.



Direct communication with providers and patients. Perhaps most importantly, outcomes analysis can be referred to when communicating with both providers and patients.

“Leaders can leverage these analyses to demonstrate that their studies and outcomes on their particular product are better than the gold standard or industry standard. So, they can use it in their medical education efforts,” Haines said.

Empowerment via easy data analysis

Having standardized pricing a component of the overall data analytics platform not only makes it possible for end-users to leverage the data, but also makes it easier. When using closed and open claims simultaneously, it's possible to get a better picture of individual patient outcomes. More specifically, when standardized pricing is included in the closed claims, leaders can analyze the health economics and clinical outcomes for a variety of purposes. As such, healthcare organizations can more readily move forward strategically.

“Accessibility to RWD and data analytics platforms, including standardized pricing, streamlines the speed to insights. Pre-built validated methodology, such as standardized pricing in data models, is the ‘holy grail’ for data and analytics teams. It allows them to shift their focus and speed up outcomes insight generation,” LaRusso concluded.



Who is PurpleLab®?

PurpleLab provides a real-world data [lab], accelerating the discovery and adoption of healthcare innovations. We are your trusted real-world data partner.

What will you discover today? Reach out to info@purplelab.com to learn more.

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