

*Understanding Private Payers &  
Maximizing Private Payer Reimbursement  
Strategies*

*Incorporating the Reimbursement and Pricing Process  
into Your Product Launch*



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# *When and How to Initiate Reimbursement and Pricing Into Your Product Launch*

- The short answer is as soon as possible
- Now we'll explain the how and why

## *Why is it so important?*

- As we continue on in our discussion today, you might be tempted to think that this is an endorsement for the full-time employment of consultants act
- We can assure you it is not!
- We have had many clients who have developed a wonderful device only to find there was no coverage or inadequate reimbursement for the device, resulting in a wonderful device no one wanted to buy!

## *Why is it so important?*

- Reimbursement and pricing are both critical to the success of a product
- Simply put, reimbursement and pricing will determine whether or not providers will be willing to buy the product
  - Reimbursement is a pre-requisite for provider interest
  - Pricing will determine whether the provider will be able to achieve a sufficient return on investment

# *What needs to be addressed in the reimbursement strategy?*

- The reimbursement strategy should address each of the relevant target markets
  - Medicare
  - Medicaid
  - Commercial
- Prior to making a purchase, providers will want to know what they can expect in terms of reimbursement in each of these markets

# *How do providers make a purchase decision?*



- Providers will evaluate:
  - The amount of time it takes to perform the procedure
  - The opportunity cost of seeing another patient
  - The sales price
  - The administrative impact of the device on their practice (clinical and administrative staff time)
- Their bottom line is “what is the price of this device relative to my expected return?”

## *What do payers look at?*

- How much will the device/procedure cost in terms of claims expense?
- Does this procedure substitute for something that is more costly?
- Will it reduce other health care costs in the near term (e.g. hospital admissions)?
- Will it reduce future costs through early detection, etc.?
- Does the clinical literature support the manufacturer's claims regarding efficacy, safety and cost savings?

# *So how do we determine our pricing strategy?*

- There are many variables to be considered in setting the price of a new device and/or procedure:
  - **R&D cost** - recouping the investment
  - **Operating cost** - production, sales & marketing
  - **Profit margin** - reasonable return



# *So how do we determine our pricing strategy?*

- **Price elasticity** - how demand changes as the price changes
- **Market comparability** - how do we compare to our competitors
- **Brand identity** - can our brand name support a higher price
- **Market share** - are we trying to gain market share or maintain it

# *Balancing the Equation*

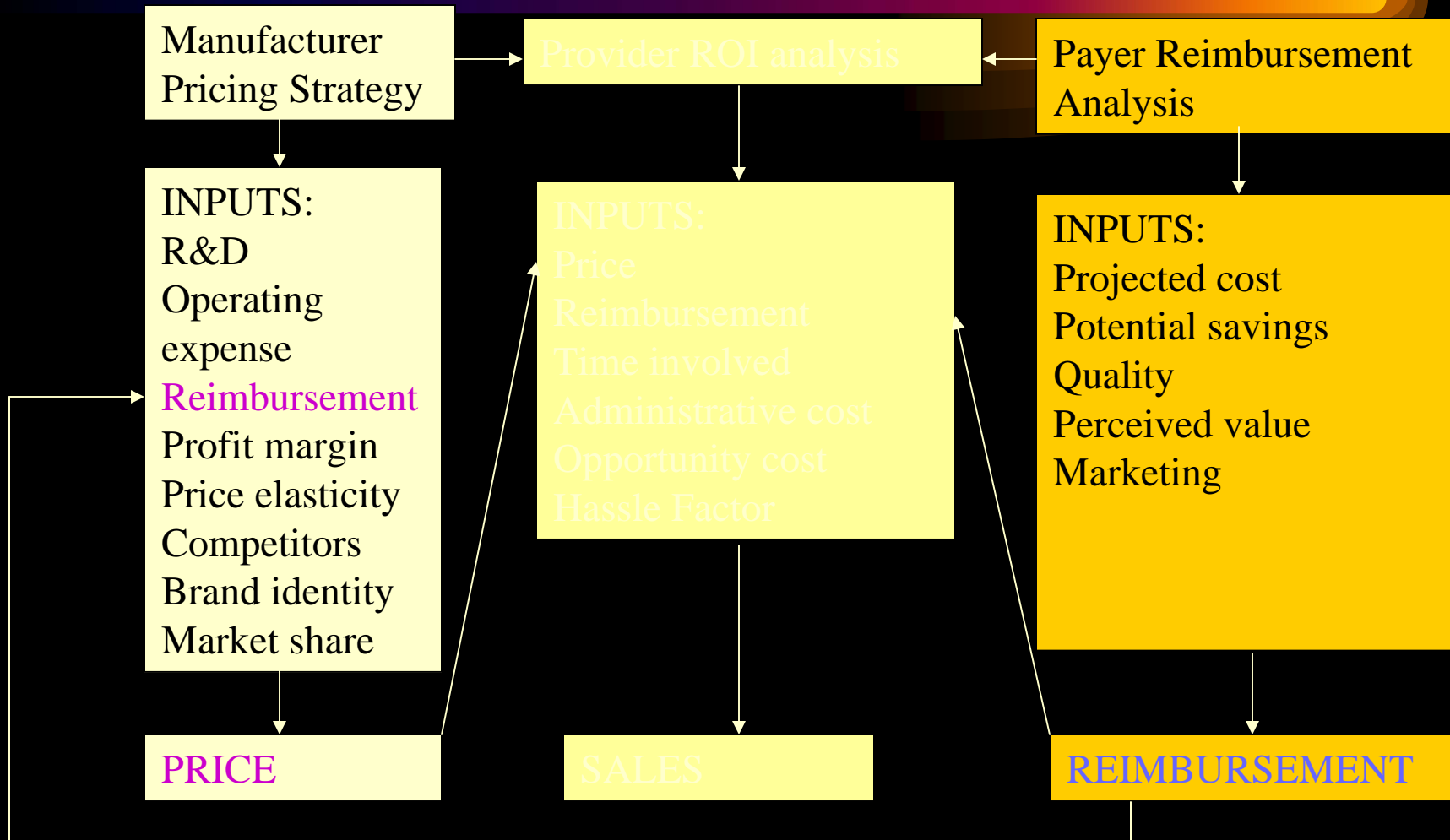
- The key to a successful reimbursement and pricing strategy is understanding how all these elements relate to each other and how to balance the needs of the provider, the manufacturer and the payer

Manufacturer  
price

Payer  
reimbursement

Provider

# *The Impact of Pricing on Reimbursement and Sales*



# *The Impact of Pricing on Reimbursement and Sales*

- Payer reimbursement is the lynch pin in the process
- It will determine how the providers view your product and how much you can charge
- This means you have to begin educating the payers well before product launch

## *When do we begin developing the pricing and reimbursement strategy?*

- It is really never too soon to begin developing your pricing and reimbursement strategy
- At least 12 months before product launch, you should begin to identify all the potential reimbursement issues including:
  - Coding (is there an existing code or do we need a new one?)
  - How it will be reimbursed (e.g. through a separate procedure rate, bundled into an existing rate, etc.)
- Develop an action plan for each issue

## *When do we begin developing the pricing and reimbursement strategy?*

- At least, six months before launch:
  - Begin researching reimbursement levels for comparable products
  - Begin informal discussions with the payers to see how they are likely to react
  - Determine if additional data will be needed to support your case

*When do we begin developing the pricing and reimbursement strategy?*

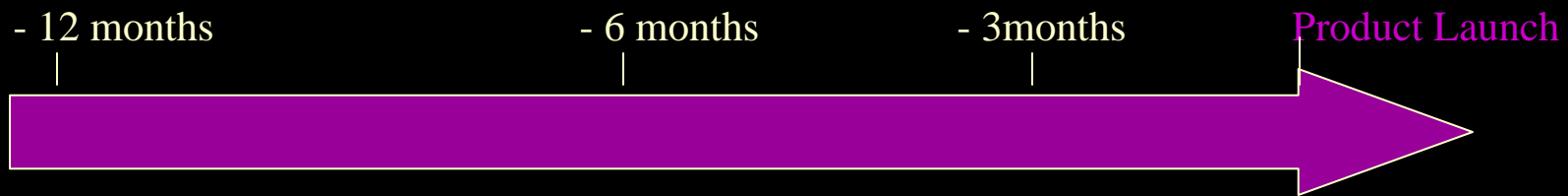
- At least six months before launch:
  - Incorporate the reimbursement information into the final pricing strategy - make sure pricing and reimbursement are consistent
  - Develop a strategy for educating field staff and your customers on reimbursement issues

*When do we begin developing the pricing and reimbursement strategy?*

- Beginning three months before launch:
  - Implement the provider strategy, making sure you have a way to respond to inquiries and resolve issues
  - Continue working with the payers to ensure that their coverage and reimbursement policies result in a favorable outcome



# *When do we begin developing the pricing and reimbursement strategy?*



- Identify issues
- Develop action plan

- Research comparables
- Initiate informal payer discussions
- Finalize pricing
- Finalize reimbursement strategy

- Implement provider strategy
- Meet with payers
- Educate field staff
- Resolve billing issues

*If I follow this path.....*



- There are no guarantees, but without addressing pricing and reimbursement at the outset, it is likely to be a short road.