

University of Miami School of Business
Business of Health Care - Panel 2
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Panel 2: Current and Future Trends in the Pharmaceutical, Diagnostic and Medical Device Sectors

Cost issues dominated the morning panel discussion on "Current and Future Trends in the Pharmaceutical, Diagnostic and Medical Device Sectors." Moderator Ben Riestra, chief administrative officer, Lennar Foundation Medical Center, UHealth – the University of Miami Health System, opened the conversation by asking the industry panelists why costs were high and price transparency is low.

"Every country is discussing how to reduce health care costs," said Gitte Aabo, president and CEO, LEO Pharma, a Danish-based company that focuses on skin disease products. "However, drugs constitute only 10 to 15 percent of health care costs. The debate in the U.S. is more hostile toward the pharmaceutical industry. Some companies have increased prices to absurd levels, leading to a perception of the industry as being greedy and not caring about the patient."

Aabo added that in her view the U.S. system is not transparent, due to the number of "middlemen" in the distribution system. "LEO's prices have decreased over the past three years, but that's hard to see because of lack of transparency." Finally, she added that the pharmaceutical industry in general needs to do a better job of demonstrating the value it brings to the system. "It is also our job to bring real innovation to market, and deliver real world outcomes. that changes the discussion to the issue of value, rather than pricing."

There is no evidence that drug prices are out of control, according to Robert Donnelly, senior director, health policy, Johnson & Johnson. In fact, many pharmaceutical companies are lowering their prices, he said. "Our net price trend has been negative as well," he added. "We also just published our transparency report. We want to help patients understand the choices they can make in regard to the deductibles and co-pays in their insurance plans. We want patients to afford the care they need, and drug prices are not the only factor in that equation.

Innovative technologies

Riestra asked if innovative technologies could address cost concerns as well as improving outcomes.

"The standard for evidence with regulators and payers has increased in last decade," said Parashar Patel, vice president of global health policy, Boston Scientific. "There are also new stakeholders. We sell to health systems and surgical centers, so we need to talk to administrators as well as physicians. In some cases, that means meeting with the CEO. There has also been an increase in the level of

competition and great input from patients who want information when they have conversations with their physicians.”

As a result, new medical technology must deliver value to different stakeholders: physicians, health systems, payers and patients. “The goal is to align in those interests in bringing new devices to market,” Patel said.

Jay Wohlgemuth, M.D., senior vice president, R&D, chief medical officer, Quest Diagnostics, said convenience and empowerment are central to innovative diagnostic products. “We are developing a box that can be shipped to the homes of individuals with diabetes,” he said. “It allows them to self collect a sample and send back to the laboratory, then wait to get the result on their smartphone or from the doctor.”

Next, Riestra asked Wohlgemuth about Quest’s joint venture with Walmart to provide medical diagnostics, pharmacy, nursing and telemedicine services from one location, closing gaps in care for individuals. “All health care is ultimately driven by the consumer,” Wohlgemuth said, emphasizing the importance of convenient access to diagnostic services at the home, workplace or retail center, as well as a medical office building.

While Quest has 2,200 patient centers around the country, the company is looking for ways to make testing more convenient, such as moving 200 centers into Safeway stores last year. Noting that half the U.S. population goes to a Walmart every week, Wohlgemuth said consumers can get health services, and health plans can close gaps in care for their members. He added that Quest has already opened about seven facilities in Walmarts and may reach 200 by year-end, including locations in Florida and Texas.

From a pharmaceutical standpoint, innovation includes thinking about how new products fit into individuals’ daily lives, said Aabo. For example, a sticky ointment might be very effective for a chronic disease like psoriasis, but if it takes an hour to dry before the patient can go to work or run errands, then adherence will be an issue, she said.

Because skin diseases can be difficult to diagnose accurately, LEO Pharma is investing in imaging technology and building diagnostic and treatment algorithms using artificial intelligence, Aabo said. “Once you are under treatment, it can determine how long it will be before the plaques or other problem goes away,” Aabo said. “That’s very motivational for patients who might not see a change in their skin from day to day. It also benefits society, because people are getting the right treatments for their problems and the treatments that have been purchases are actually being used.”

Population health

When asked about the trend toward population health management, Patel said Boston Scientific focuses on value-based health care. “Our responsibility is to demonstrate the value of our technology on patient costs, as well as outcomes,” he said. “So, we talk about the value we can bring to different stakeholders, as well as what they can do to reduce overall costs. When new products align the interests of payers, providers, health systems and patients, they are easier to bring to market.”

For Quest, the goal is to design diagnostic services around an individual or a physician, Wohlgemuth said. That's because lab tests are just part of the clinical decision-making process. "Our platforms interface with multiple EHR (electronic health record) systems, and provide population health analytics and physician decision support," he said.

For example, Quest is now offering a cognitive assessment service through an iPad or a TV as part of an integrated approach for diagnosing and treating memory loss, Wohlgemuth said. The results can also be sent to a diagnostic imaging facility, so the order for an MRI scan is aligned with a physician's laboratory order.

As for what's next in the pharmaceutical, diagnostic and medical device sector, Wohlgemuth said Quest is helping companies recruit patients for clinical trials.

Aabo, Donnelly, Patel and Wohlgemuth agreed that multidisciplinary partnerships are crucial to delivering precision medicine quickly and accurately for patients. "Millennials want things right now," Aabo said. "They also want access to care with a personal fit."

Responding to a question from the audience about potential U.S. trade barriers, Aabo said she is a strong believer in free trade. Patel added that global device and pharmaceutical companies prefer a system that doesn't impede the flow of technology. "Tariffs and trade barriers can add costs to the system and lead to unintended consequences."