Key Considerations for Multi-Indication Products

Virtual Salon Takeaways by Ted Haack

On the 3rd of May, 2023, Ted Haack moderated a virtual salon organized by DemyColton about pricing and deal valuation dynamics for multi-indication products.

I wanted to summarize a few takeaways from our Demy-Colton on Market Access and Valuation Considerations for Multi-Indication Products and express my gratitude to my wonderful panellists Judy Campagnari, Diane Munch, Jeannie Rojas. PhD MBA, and Elizabeth Jeffords for sharing their experience that made this an outstanding and insightful session.

Click Virtual Salon Replay for free access to the full session.

Multi-indication and platform products have always required a significant amount of planning effort, and for smaller organizations, it can be difficult to know where to start, what are all the issues, and how to value the various indications. Indeed, in today's biotech world, our panel unanimously reinforced that while technical risk remains critical for all investor types, there is great utility to having a reasonable grasp of commercial dynamics and market access with multi-indication products. In the end, the goal is to understand "can this dog hunt?" as Judy highlighted, and that includes a strong commercial rationale for the various indications. We would argue that this is as important in a partnering scenario as it is for a launch scenario – if you are launching your product, you will need to understand and articulate these dynamics to your investors. If you are partnering and want a collaborative negotiation process, you will need to understand your partner's commercial risks and concerns and ideally help set them up for success.

To accomplish this, a strategic commercial assessment of your product by indication should be performed. Depending on the company's stage of maturity, hiring full time staff may not be justified, so the CEO and board need to think strategically about acquiring commercial skills, especially leaders who have led and supported market access for multi-indication products in all major countries as executives, board members or advisors (e.g., country managers, in-market access experts, etc.). Ideally someone with sufficient in-market experience should be on hand to challenge commercial assumptions and strategies to ensure market access risks are mitigated so that multi-indication investments consider durable commercial cash flow and not solely clinical and regulatory risk.

Applying the Real, Win, Worth Construct

Our panel discussed a variety of issues that arise in investing and licensing discussions that reinforce the need for a rigorous indication prioritization that identifies the lead and the follower indications. One methodology is the Real, Win, Worth approach. The key points to assessing each indication are:

- **Real** – can my technology have a real impact vs. competition in *this indication*? What are the payer value drivers that differentiate it at the payer level and support quality net pricing and patient access? Is the funding mechanism there to support us or do we need to do significant policy development? (e.g., cell and gene therapy)
- **Win** – can we win vs. the therapeutic competitors by being 1st or 2nd in value market share? Is the area open for competition or are we e.g., the 8th PD1i drug, or can only prove non-inferiority vs. generic or biosimilar standard of care?
- **Worth** – is it worth the investment in clinical studies, plus launch and post-marketing efforts to support willingness to prescribe, to reimburse and to pay at the levels necessary to justify the investment and not erode the value of our lead indication?

Based on the results of this analysis, the lead indication and additional indications will become obvious. Depending on the net-pricing and patient outcome scenarios defined, some indications may be shelved or terminated altogether, and the remaining indications should be sequenced for clinical trial start based on net-pricing support of the lead indication. Said differently, while an indication may have a high probability of technical and regulatory success, if it negatively impacts the lead indication's value at the payer and operating revenue level, it should not be pursued unless the risk can be mitigated or has some other overwhelming rationale (e.g., public perception).

One critical path we discussed regarding pricing risk mitigation across indications was via manufacturing and formulation. Where possible, this would create two distinct products, thereby allowing appropriate pricing by indication and increasing the total franchise valuation. The most recent example of this is Apellis' entry into both the PNH and Geographic Atrophy (GA) via an oral and injectable offering that has quality net-pricing relative to the existing market leader in PNH and a separate price that reflects the value in GA. Indeed, there are also many products with orphan indications on the market, however no attempt was made to achieve an orphan-like price as these products did not lend themselves to indication-insulation methods. Examples include the PCSK9 inhibitors and statins with homozygous familial hyperlipidemia (ho-FH), and the anti-TNF's with Crohn's Disease where these indications were priced within the context of the lead indication.

Funding Policy Developments

The Inflation Reduction Act (IRA), changes to European orphan legislation, and various national-level pricing and reimbursement systems will continue to influence multi-indication products valuations. Our panel reinforced that we all need to be

involved in policy, no matter the company size; it is a necessary cost of doing business and BIO, ARM, and many other state, national and international policy organizations welcome input from emerging companies, so the opportunity exists to make your voice heard.

That said, sweeping legislation like the IRA necessitates some additional analysis to understand if any indications would have Medicare as a key patient group. While the PhRMA, Merck and BMS lawsuits are pending, and additional policy works continues, companies will need to do some analytics on potential IRA impact. In short, the indication analysis would include:

1. Running your US forecasts by book of business, by indication. What is the balance of Commercial vs. Medicare vs. Medicaid?

2. Comparing the Medicare net revenue forecast across all indications vs. the relevant Medicare Part B and D spending, including competitive assumptions re: biosimilar/generic entry, and how your net product Medicare revenues rank at the appropriate time period.

3. Calculating how your Commercial and Medicare rebating and contracting assumptions will evolve vis-à-vis the competition. Price-protected reimbursement contracts have been around in the US for more than a decade, and they are one reason why net-price increases in the US are so far below gross-price increases. Similarly, Medicare plans have aggressively negotiated rebates since the 2003 Medicare Modernization Act in indications where competition exists. Don't assume because a large company raised WAC prices by 9% twice in a year that their net price went up by the same amount. A review of Medicare Average Selling Price and prices offered to the Big-4 provide a view to rebating by substance in competitive classes.

While the IRA will potentially have a greater impact on single-technology companies than a large multinational, a rigorous analysis may likely conclude that it isn't a major concern for your company. Such an analysis will also help you tell your story to investors and potential partners vis-à-vis IRA impact. Various industry pundits, including LatticePoint, are predicting shifts in upfront payments, long-term milestones, royalty rates, net revenue thresholds, etc. related to the IRA, so it pays to defend your valuation via more rigorous net-pricing assumptions.

Conclusion

Commercial planning for multi-indication products was never straightforward, and it has only gotten more complex of the past years. We hope that the above gives some guidance around ways to hedge various risks, tell a stronger value story to investors and partners and close some of the disconnects many CEO's are experiencing during

fundraising and partnering discussions. Let us know your thoughts in the comments section below, or contact me directly; we would be delighted to discuss further with you.

For further reading, see:

KFF IRA Summary

EU 2023 Orphan Legislation Update

BIO IRA Drug Price Negotiation Comment Letter

LatticePoint Pricing for Valuation and Partnering