What is Innovation and How Should It Be Promoted?

The Payer Perspective

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My assignment today is to:

• Give a brief introduction to how these issues look from the payer perspective.

• Attempt to isolate questions for which informed payers seek answers.

• In doing so, it’s important to understand that I’m not advocating the payer viewpoint – rather, I’m describing it!

• I’ll frame this as a set of three questions – for which there are no obviously “right answers.”
Question One: What is truly innovative?

• Traditional paradigm turned on physician acceptance of “new” as “improved.”

• Advent of DTC – now even for implantable devices – smells like an end run around this traditional coverage barrier.

• The search for “evidence”, from the payer perspective, amounts to a search for a referee.
Question Two: Where Are the Cost-Reducing Innovations?

• It’s hard to find any other industry where technology drives chronic cost growth.

• While there’s some evidence of “industrial engineering” advances in closed systems, hard to see how this diffuses to the balance of the system.

• When the moral hazard of insurance is compounded with liability risk for cost-motivated decision-making, the prospect of cost-reducing technology looks bleak.
Question Three: Why Should Payers Bear the Burden of Determining Technology Diffusion Patterns?

• While payer community has capacity to analyze clinical issues, why should they carry the role of arbiter?

• The historic paradigm – “built it and they shall pay” – is clearly going the way of the buffalo.

• It would be a lot easier to limit coverage (and payment) to today’s gold standards – and transfer burden of arguing for more to manufacturers and their provider customers.

• Left to their own devices, that’s where they’re going!