

# **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!