MARSH

# Drug warranty solutions

The high costs associated with advanced gene, cell, and specialty therapies can create barriers for patients and end payers alike, making access to life-altering treatments prohibitively expensive in some cases. Marsh has partnered with Octaviant Financial, Inc. to create tailored, innovative drug warranty programs, also known as drug assurance programs, that can help pharmaceutical manufacturers like you mitigate the financial risks associated with your therapies, continue to promote medical innovation, and expand patient access to treatments.

As more high-cost and potentially life-changing therapies go to market, patients and end payers are increasingly looking for reassurance from pharmaceutical manufacturers that these expensive treatments will deliver the promise of their labels: successful clinical outcomes.

When a therapy does not deliver its intended clinical outcome, the repercussions ripple across the healthcare ecosystem. Each negative outcome affects patients who fail to receive the expected treatment benefits; end payers — including patients, self-funded employer plans, fully insured plans, or stop loss carriers — that must cover the high cost of the therapy; and drug manufacturers, whose brand and business model may be damaged.

To address this complexity, Marsh and Octaviant Financial, Inc. developed an innovative drug warranty solution to empower pharmaceutical manufacturers to provide robust financial recourse to end payers, enhance market differentiation, and improve patient access to therapies, potentially leading to improved patient outcomes.

## Understanding how drug assurance programs are structured

Unlike a traditional warranty for a product like a refrigerator, which specifies that a manufacturer will repair or replace the product if it is defective or malfunctions within a specified period, drug warranties are highly specific to the clinical outcomes of a therapy. Most programs follow a one- or three-year term and outline the following:

- The duration of the warranty.
- The specific circumstances that trigger payment, such as:
  - What defines therapeutic nonperformance (consider a sickle cell disease therapy warranty, where nonperformance may be related to reductions in the number of painful blood vessel blockages experienced over a period of 12 months)
  - Discontinuation of use if a patient decides to stop taking the drug.
- The total amount being remunerated under the policy by an insurer.

Drug warranty programs must also adhere to the latest Centers for Medicare and Medicaid Services (CMS) rules and state insurance regulations. Acknowledging the need to foster innovation, CMS continues to encourage the adoption of drug warranties and other innovative payment plans to:

- Create more flexibility for providers and payers
- Drive greater adoption of potentially life-altering drugs
- Outline how warranties impact calculations

## Develop your own specialized warranty with Marsh and Octaviant

With our extensive industry experience and innovative approach, we help you better navigate the complexities of risk management in the pharmaceutical industry and determine the suitability of a drug assurance program for your organization. Our expertise helps you confidently address these challenges while enhancing your product's market position, providing you with:

- **Risk mitigation:** Our team works with you to design comprehensive, tailored insurance strategies, enabling you to continue developing innovative, effective treatments.
- **Regulatory compliance:** We help you navigate and comply with the latest CMS guidelines and state insurance regulations.
- **Strategic insights:** Our life sciences specialists provide valuable insights into market trends, regulatory changes, and payer dynamics to inform your warranty strategies.
- **Proprietary technology and tools:** We offer access to innovative technology, including therapeutic actuarial services and Octaviant's precision finance platform, to assess risk and optimize warranty structures effectively.

With our ongoing support and expertise, you can implement drug warranty solutions that are suited to your organization, so you can continue developing highly effective, innovative treatments for more patients.



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## Two primary benefits of drug warranties

**1. Remuneration for a high-cost therapy:** By offering performance reassurance for expensive therapies, manufacturers take responsibility for the quality and efficacy of their products with meaningful remuneration options. This not only encourages patient trust and confidence in the therapies, but also helps alleviate the financial burdens associated with ineffective treatments.

**2. Differentiation in a competitive market:** When patients and providers are choosing between two drugs with similar efficacy and safety profiles, a warranty can distinguish one brand from another. The drug with a warranty, that may be slightly more costly, offers added reassurance that if the treatment doesn't achieve the expected outcomes, the manufacturer will provide a payout.

**To learn about our customized warranties and drug assurance programs or to speak with a life sciences specialist, please get in touch with our team directly or email lifesciences@marsh.com**

### About Marsh

Marsh (NYSE: MRSH), a global leader in risk, reinsurance and capital, people and investments, and management consulting, advising clients in 130 countries. With annual revenue of over $24 billion and more than 90,000 colleagues, Marsh helps build the confidence to thrive through the power of perspective. For more information about Marsh, visit marsh.com, or follow us on LinkedIn and X.