Asembia 2023: Top Infusion Services Themes to Take Away from this Year's Specialty Pharmacy Summit

Coming out of another exciting Asembia Summit, that was well attended by a multitude of constituents in the, broadly defined, pharmaceutical industry, we had the opportunity to meet with multiple leading home, ambulatory, and alternate site infusion services providers. We also enjoyed the opportunity to talk to private equity investors who are currently invested, former investors, or actively seeking new investments in the alternate site infusion space. From the provider side, we were able to learn about varying strategies being deployed by each group to differentiate themselves amongst their peers, and from the investor side, we were able to glean what they value most in an asset when comparing it to others they have evaluated. Additionally, we had multiple discussions centered on the evolving regulatory landscape, which is adding further complexity to the future for these market participants. The key topic of discussion was impending changes to the reimbursement environment, which remains opaque, but providers are taking a proactive approach in response and optimizing or planning to optimize channel management. Further discussion on key themes and takeaways:

Takeaways:

- **Sustainable Competitive Differentiation—** ambulatory infusion providers continue to discuss and seek sustainable points of differentiation beyond speed to therapy, breadth of drug offering, and improved care quality. Several companies have sought to leverage suite design, technology applications to improve prior authorizations, and expertise in a particular therapeutic area by creating a center of excellence for differentiation, though it remains to be seen how effective these strategies are. Various forms of competitive pressures will continue to increase as hospitals and other acute-care settings seek to extend their reach and capture patients outside their four walls. Tracking the continued efforts for differentiation will be an interesting trend in the coming years.

- **Pharmacy – to own or not to own?—** as alternate site infusion players seek to become a one-stop-shop for their referral sources, many groups are turning to the pharmacy channel to capture home infusion volumes and reimbursement under the pharmacy rather than the medical benefit. Additionally, the extension of control over their supply chains improves their ability to maintain margins, despite constant payor pressure for lower reimbursements. This evolving bifurcation of the space between those who own a pharmacy and those who do not will have intriguing valuation implications.

- **Solving the Staffing Issue—** throughout the healthcare landscape, nursing shortages have captured headlines, with infusion being no exception. Although the alternate site infusion providers offer a slower pace of work, less demanding hours, and overall improved quality of life, there are still challenges in staffing as wage rates continue to rise aggressively. Layering in additional complexity when extending into home infusion only further entangles the issues for providers, with broad geographical areas difficult to manage and cover efficiently coupled with a separate skill set from that of a nurse in an ambulatory infusion setting. Many of these players have turned to third-party agencies to fill the gaps, but the lack of quality control and training makes these options a subpar stopgap solution. The growth of multi-modal providers will mean a larger requirement for per diem nursing pools to service these patients, a difficult problem providers will have to solve for to be an effective participant.

- **Application of Data in Value-Based Contracting—** alternate site infusion providers have begun to realize and focus on the value of the outcomes data they are aggregating. The implications of these data points in the context of value-based contracting trends continue to be a complex discussion for industry participants. As groups continue to consider how they differentiate their value proposition and improve contracting relationships with payors, optimal use and leverage of outcomes data will be a critical component of these conversations.

- **Drug Concentration Conversation—** the conversation around drug concentration was an area of focus with each provider and it appears that parties sit in one of two camps. One side believes that concentration is not an issue if it is in a high-value therapy, such as IG, as they can continue to negotiate volume discounts and there is no risk of patent cliff. The other side believes that the breadth of drug offering is more appealing to providers and payors and will have more value in the future as there is a pivot to risk-bearing contracts as well as many drugs coming off patent. Additionally, there are varying views of the impact of biosimilars, dependent on the perspective It will be interesting to see how investors react as larger alternate site platforms come to market over the next 12-24 months.

- **Inflation Reduction Act ("IRA") Implications—** infusion providers are always concerned with regulatory changes; however new IRA complexities further blur the reimbursement landscape moving forward. Many of the high-priced specialty therapeutics infusion providers focus on and prefer covering have made the list of negotiation-eligible drugs. The impact of these pricing reforms remains opaque and when these changes will flow through the system is unknowable today. Utilization, benefit channel, and reimbursement questions loom large and will continue to be a topic of discussion across the industry for years to come.

Overall, alternate site infusion continues to be an intriguing value proposition for investors, payors, and patients as pressure to lower costs and improve outcomes permeate the healthcare system. Providers of pure play ambulatory, home infusion, and multi-modal players are all growing at above-average rates, with smaller, more dynamic players capturing share from the largest players. Enhanced service, speed to therapy, and greater levels of communication are current differentiators for the smaller players but enhancing and solidifying those positions will remain a focus for groups as competition for patients increases. The infusion space broadly continues to be interesting for investors and will drive strong valuations for players expected to come to market over the next 12-24 months.