



Business Insights

For a clearer market perspective

Pricing and Reimbursement Strategies for Diagnostics

Overcoming reimbursement issues
and navigating the regulatory
environment



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THE DIAGNOSTICS SERIES



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About us...



Business Insights' portfolio of healthcare reports is designed to help you make well informed and timely business decisions. We understand the problems facing today's pharmaceutical and healthcare executives when trying to drive your business forward, and appreciate the importance of accurate, up-to-date, incisive product, market and company analysis. We help you to crystallize your business decisions.

Business Insights' reports are authored by independent experts and contain findings from dedicated primary research. Our authors' leading positions secure them access to interview key executives and to establish which issues will be of greatest strategic significance for the industry.

Our healthcare portfolio of reports can be used across a wide range of business functions to assess market conditions and devise future strategy. Our reports cover key areas including **strategy, industry analysis, market outlook, new business opportunities** and **strategic insight**.

Report overview

The reimbursement of diagnostics is a key consideration for both diagnostic providers and payors because while 5-7% of the hospital cost is incurred through the use of diagnostics, they are used in around 70% of healthcare decisions. Developing an optimum price especially with respect to emerging diagnostic technologies such as molecular diagnostics has been very challenging as evidence-based pricing does not suffice for such technologies. This complicates the scenario for early movers in diagnostics. However, there has been an on-going issue with respect to existing technologies, as companies have an immense need to re-consider their pricing strategies to deal with cost and demand versus reimbursement issues. Hence, it is crucial to identify the best pricing strategies to maintain reimbursement for innovative diagnostics.

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"Use this report to gain an understanding of the existing, and novel pricing strategies for healthcare diagnostic equipment..."

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Key findings

-  **A procedure has a higher chance of getting insurance coverage, if it reduces the overall treatment costs.**
-  **The recent reduction made by the CMS in the reimbursement amount for non-facility units is expected to impact the diagnostic devices market especially in the form of a lack of innovation.**
-  **Reimbursement structures are restraining the growth of innovative technologies such as molecular diagnostics.**
-  **An OEM's pricing is fundamentally based on its desired Return-on-Investment and the overall cost of manufacturing its equipment.**
-  **Fair Value Pricing and Risk Sharing Pricing** are the new methods of pricing within healthcare diagnostics.

Strategies

First Mover Diagnostic Technologies

Existing Diagnostic Technologies

Value-based pricing

- Pricing based on perceived value of the product
- Depends on understanding how customers measure value
- An OEM adds modifications which satisfy unmet needs of the customer. It then charges the customer a higher price for the improved product

Case Study

- Abbott has developed a new immunoassay analyzer for predicting acute kidney damage
- Until now, the presence of creatinine was used to diagnose kidney damage. The new analyzer will enable preventive treatment
- Abbott is looking to price the product at a premium to the current set of analyzers

Case Study

- Abbott has recently launched an integrated immunoassay analyzer Architect i1000sr, with more than 50 assays
- Upgraded versions have been developed: i2000sr and i4000sr, where the system remains the same, but the number of assays (tests performed simultaneously) has been increased

Figure 4.16: Value-based pricing & reimbursement

“Value-based pricing is currently the most commonly employed pricing strategy by the market leaders. Pricing is based on the perceived value of the product and to successfully gain reimbursement the manufacturer must understand how customers/payors measure value. Understanding areas of unmet need and fulfilling these is a key process for manufacturers to undertake if they are to be able to justify a premium price.”

Use this report to...

- **Understand the existing structures for reimbursement** of healthcare diagnostic equipment in developed markets.
- **Understand the existing pricing structures** for healthcare diagnostic equipment for developed markets.
- **Understand the role of various factors** impacting the price of healthcare diagnostic equipment.
- **Understand the evolution of pricing strategies** in recent times within healthcare diagnostic equipment.
- **Gain a complete understanding** of changing times within pricing with respect to reimbursements.

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Explore issues including...



The healthcare diagnostics industry is currently facing the issue of a lack of reimbursement for various innovative procedures which can be considered critical to patient diagnosis.



This lack of reimbursements has started to affect the market negatively and the major markets in developed economies are seeing a negative to flat growth rate.



Various end users are using this opportunity to depress the prices of healthcare diagnostic products even further; this may lead to a reduction in the size of the industry.



Various countries in Europe have their own reimbursement structure and policies with respect to various procedures. This is creating lot of bureaucratic and pricing hurdles for OEMs.



Various governments in Europe are changing their reimbursement policies with respect to new products launched within the healthcare diagnostic industry.

Discover...

- What is the existing reimbursement structure within the major markets in healthcare diagnostics?
- How do the OEMs of healthcare diagnostic equipment price their products considering reimbursement policies across the world?
- What is the impact of current reimbursement policies over the pricing of healthcare diagnostic equipment?
- What are the existing pricing strategies employed by healthcare diagnostic Original Equipment Manufacturers (OEMs)?
- What are the possible drawbacks of recent changes in reimbursement policies across the globe?

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