

FINANCING MODEL	DESCRIPTION	EXAMPLES
Amortization / Installment Payments	Spreading the high upfront costs over a set period through structured payments reduces the immediate financial burden, allowing payers to pay in smaller, predictable installments and aligning payments with realized benefits or milestones.	<i>Example:</i> A payer agrees to pay \$2 million for a therapy over five years in annual installments, contingent on patient outcomes and durability of effect.
Outcomes-Based / Performance-Based Contracts	Payment is linked to clinical outcomes or durability of the therapy, with the manufacturer receiving full payment only if the therapy achieves predefined health benchmarks; otherwise, rebates or refunds are issued. This shares financial risk and incentivizes optimal patient management.	<i>Example:</i> A biopharma offers an outcomes-based contract for a sickle cell gene therapy, where reimbursement depends on the patient's response and durability of its benefit over time.
Reinsurance / Stop-Loss Insurance	Payers purchase reinsurance or stop-loss coverage to cap their financial exposure from catastrophic high-cost claims. These policies reimburse or limit costs when expenses exceed a specified threshold, protecting against unpredictable, large claims.	<i>Example:</i> A financial services company offers stop-loss products for small and mid-sized employers which covers costs exceeding \$2 million, shielding employers from unexpected expenses.
Subscription Models	Payers pay a fixed, predictable fee for access to a portfolio of therapies or for treatment at a specific site, regardless of the number of patients treated. This model simplifies budgeting and spreads risk across multiple treatments or populations.	<i>Example:</i> Some regional health systems or Medicaid programs are exploring subscription models for broad access to multiple high-cost therapies, paying a set fee annually for unlimited or capped treatment access.
Warranties / Manufacturer Guarantees	Manufacturers offer warranties that reimburse payers if the therapy does not deliver the promised clinical benefit or durability. This shifts some risk back to the manufacturer and provides payer confidence in the therapy's value.	<i>Example:</i> A biotech company offers a warranty for a therapy, refunding a portion of the cost if the patient does not maintain response after a certain period.
Risk Pooling / Multi-Employer Risk Pools	Multiple employers or payers pool their risk to collectively fund high-cost therapies, sharing the financial burden and reducing individual exposure. This approach is especially useful for rare diseases with unpredictable treatment needs.	<i>Example:</i> A multi-employer risk pool spreads financial risk for rare disease treatments, with participating employers contributing premiums to a shared fund that covers potential treatment costs for affected members.
Third-Party Contract Negotiation & Management	Engaging specialized vendors or third-party administrators to handle negotiations, data collection, outcome tracking, and payment execution, ensures transparency and efficiency in complex financing arrangements.	<i>Example:</i> Employers contract with a third-party firm to manage outcomes-based contracts, including outcomes tracking and rebate processing.
Combined Model (reinsurance, risk pooling, warranties/guarantees, & level-funding structures)	By combining these four financing models, self-insured employers manage the financial risk of high-cost CGTs by spreading the risk across multiple employers, transferring catastrophic exposure, and offering predictable funding with outcomes-based protection.	<i>Example:</i> A self-insured employer participates in a pooled program using PEPMPMPM rates to reinsure selected therapy claims, relying on manufacturer guarantees to offset costs if therapies fail to meet clinical goals