

Things for Pharma and Biotech Companies to Watch in the Cures 2.0 Proposed Legislation



Last week, Diana DeGette (D-CO) and Fred Upton (R-MI) introduced in the House highly anticipated bill language for “Cures 2.0”, a follow-up to the transformational 21st Century Cures Act enacted in 2016. For full text of the bill, click [here](#). The 21st Century Cures Act included a variety of measures seeking to accelerate medical product development and bring advancements and innovations to patients more efficiently. Cures 2.0 seeks to improve and expand on those strides, as well as address pressing public health priorities that became apparent through the COVID-19 pandemic.

The Cures 2.0 bill is structured around five main topics:

- Title I—Public Health
- Title II—Patients and Caregivers
- Title III—Food and Drug Administration
- Title IV—Centers for Medicare & Medicaid Services
- Title V—Research

While all of these sections are ripe for further analysis, we selected a few provisions to highlight here that may be of particular interest for the pharmaceutical and biotechnology companies out there. We’ll keep tracking these as the bill moves through the legislative process:

Section 204: Patient Experience Data

- Would require sponsors developing a drug under an IND to collect standardized patient experience data during clinical trials and include that patient experience data “and such related data” in an NDA or BLA; and
- Would direct FDA to consider this patient experience data and “related information” in its approval decision for the NDA or BLA.
- These proposals to standardize and require patient experience data collection could be significant, and they underscore lawmakers’ continued interest in elevating the relevance of clinical outcomes that are meaningful to patients living with a disease or condition.

Section 302: Grants for Novel Trial Designs and Other Innovations in Drug Development & Section 310: Recommendations to Decentralize Clinical Trials

- Section 302 would appropriate \$25 million annually, for 3 years, for the FDA to award grants to clinical trials conducted under an IND with protocols incorporating complex adaptive or other novel trial designs and that collect patient experience data. The section further specifies that grant awards should prioritize the incorporation of digital health technologies and real world evidence.
- Section 310 proposes a multi-stakeholder meeting, including industry representatives and patient advocacy groups, to discuss incentives to adopt decentralized clinical trials. The

section also would adopt a definition of decentralized trials: “a clinical trial method that includes the use of telemedicine or digital technologies to allow for the remote collection of clinical trial data from subjects, including in the home or office setting.”

- These provisions reflect a sustained emphasis on fostering clinical trial innovation, including building on the experience with remote clinical trials during the COVID-19 pandemic.

Section 304: Increasing Use of Real World Evidence (RWE) & **Section 309:** Post-Approval Study Requirements for Accelerated Approval

- Section 304 would call for new guidance on the use of RWE in post-market review of drugs that were designated as a breakthrough therapy or fast track product, or considered for accelerated approval. Section 309 would further specify that the post-approval study requirements to verify and describe the clinical benefit for products granted accelerated approval could be satisfied through RWE, including analyses of data in clinical care repositories or patient registries.
- Section 304 also would establish a permanent Real World Evidence Task Force to coordinate programs and activities within the Department of Health and Human Services related to the collection and use of RWE.
- These and other sections of Cures 2.0 share a common theme of enhancing the use of RWE in regulatory decision-making. Although the inherent variability in RWE likely will continue to present challenges to doing so, the signal is clear that legislators would like to see FDA and HHS continue to move forward in this area.

Last week’s introduction of Cures 2.0 and President Biden’s announcement that he will nominate Robert Califf for FDA Commissioner contributed to a newsworthy week for those of us who follow the FDA. We look forward to seeing how Cures 2.0 develops and how the Agency’s policy priorities unfold in the coming months.

Senate Judiciary Committee Advances False Claims Act Amendment to Full Senate



On October 28, a majority of members on the Senate Judiciary Committee voted 15-7 to advance to the full Senate a bipartisan bill that would make a number of amendments to the False Claims Act (“FCA”), including one that would make significant changes to the FCA’s definition of “materiality.” Senator Chuck Grassley of Iowa, who serves as the ranking member of the Judiciary Committee, argued for the materiality amendment, stating that it is intended to correct the “misinterpretations” of the FCA “created by the *Escobar* court.”

Under the FCA, only a material violation – one that has “a natural tendency to influence, or be

capable of influencing, the payment or receipt of money or property by the government” – can form the basis for liability. The Supreme Court in *Universal Health Services v. United States ex rel. Escobar* stated that the FCA’s materiality standard is “rigorous” and “demanding,” and held that a violation of a particular requirement would likely not be considered material if (for example) the government had actual knowledge of the violation and chose to pay the claim anyway.

The materiality amendment advanced to the full Senate would undo the protections offered by the *Escobar* ruling, and instead states that “in determining materiality, the decision of the government to forego a refund or pay a claim despite actual knowledge of fraud or falsity shall not be considered dispositive if other reasons exist for the decision of the government with respect to such refund or payment.”

The number of suits filed under the *qui tam* provisions of the FCA are steadily increasing over the years, with [672 qui tam actions filed in 2020](#) alone. Should this FCA amendment be enacted, its lowered materiality standard will make it significantly more difficult for defendants in *qui tam* actions to win motions to dismiss on materiality grounds, or to obtain summary judgment; as a result, many more of these cases will move forward to more expensive and time-consuming stages of litigation.

Health care providers and other health care companies who are the potential defendants in FCA cases already often spend significant resources defending against these claims. While the proposed amendment advanced by the Judiciary Committee last week is intended to reduce fraud and abuse – for example, the amended materiality standard would be particularly important in situations in which the government is aware of fraudulent claims but is unable or unwilling to stop paying for the provision of critical healthcare services; ***but, it may also have an effect on the overall costs of defending a claim, whether or not meritorious. We will continue to monitor updates with respect to the FCA and related legislation.***

[FDA Issues Guiding Principles for Good Machine Learning Practice for Medical Device Development](#)



On October 27, 2021, the U.S. Food and Drug Administration (FDA), Health Canada and the United Kingdom’s Medicines and Healthcare products Regulatory Agency (MHRA) [issued](#) a set of ten guiding principles meant to aid the development of Good Machine Learning Practice (GMLP).

Artificial intelligence and machine learning (AI/ML) offers the potential to analyze the vast amount

of real-world data generated from health care every day to provide transformative insights. These insights can not only help improve individual product design and performance, but also hold the promise of transforming health care.

However, AI/ML technology has unique complexities and considerations. The goal of these guiding principles is to help promote safe, effective, and high-quality medical devices that use AI/ML to best cultivate the future of this rapidly progressing field.

Although not formal or binding, as companies continue to leverage AI/ML in their medical devices, they should remain mindful of each of the ten guiding principles:

1. Leveraging Multi-Disciplinary Expertise Throughout the Total Product Life Cycle

Companies should leverage internal and external multi-disciplinary expertise to ensure they have a thorough understanding of the model's integration into the clinical workflow, and the desired benefits and associated patient risks, to ensure the safety and effectiveness of the device while serving clinically meaningful needs throughout the product lifecycle.

2. Implementing Good Software Engineering and Security Practices

Companies should implement as part of model design data quality assurance, data management, good software engineering practices, and robust cybersecurity practices.

3. Utilizing Clinical Study Participants and Data Sets that Are Representative of the Intended Patient Population

Companies should ensure that their data collection protocols have sufficient representation of relevant characteristics of the intended patient population, use, and measurement inputs in an adequate sample size in their clinical study and training and test datasets so that results can reasonably be generalized to the population of interest. Data collection protocols appropriate for the intended patient population may help to identify where the model may underperform and may mitigate bias.

4. Keeping Training Sets and Test Sets Independent

Companies should consider and address all sources of dependence between the training and test datasets, including patient, data acquisition, and site factors to guarantee independence.

5. Selecting Reference Datasets Based Upon Best Available Methods

Companies should use accepted, best available methods for developing a reference dataset, *i.e.*, a reference standard, to ensure clinically relevant and well characterized data are collected (and that the reference's limitations are understood). Where available, companies should use accepted reference datasets in model development and testing that promote and demonstrate model robustness and generalizability across the target population.

6. Tailoring Model Design to the Available Data and Reflecting the Intended Use of the Device

Companies should have a solid understanding of the clinical benefits and risks related to

the product and utilize this understanding to create clinically meaningful performance goals. Additionally, companies should ensure the model design is suited to the available data and supports active mitigation of the known risks.

7. Focusing on the Performance of the Human-AI Team

Where the model has a human element, companies should consider human factors and human interpretability of the model outputs.

8. Testing Demonstrates Device Performance during Clinically Relevant Conditions

Companies should develop statistically sound tests and execute them to assess device performance data independent of the training data set. Such assessment should be conducted in clinically relevant conditions with consideration given to the intended use population, important subgroups, clinical environment and use by the Human AI-Team, measurement inputs, and potential confounding factors.

9. Providing Users Clear, Essential Information

Companies should provide users ready access to clear, contextually relevant information that is appropriate for the target audience. Such information includes not only information pertaining to the product's intended use and indications for use, performance of the model for appropriate subgroups, characteristics of the data used to train and test the model, acceptable inputs, known limitations, user interface interpretation, and clinical workflow integration of the model, but also users should be made aware of device modifications, updates from real-world performance monitoring, the basis for decision-making (when available), and a way to communicate product concerns to the company.

10. Monitoring Deployed Models for Performance and Managing Re-Training Risks

Companies should deploy models that are capable of being monitored in real-world usage with a focus on maintaining or improving safety and performance. Further, when models are trained after deployment, companies should ensure there are appropriate controls in place to manage risks that may impact the safety and performance of the model.

FDA's expectations with respect to GMLP will continue to advance and become more granular as additional stakeholder input is considered. The docket for FDA's GMLP Guiding Principles, [FDA-2019-N-1185](#), is open for public comment.

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[Propsci Perspectives: A Goodwin Video Series](#)



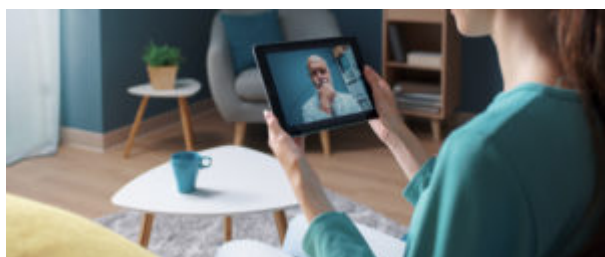
The Goodwin [Propsci](#) team has partnered with several of our clients for a short video series that explores what's happening in the real estate life sciences industry.

Goodwin's [Nicole Riley](#) is joined by Doug Cuff, Vice President of UK Real Estate for [IQHQ](#), a development company focusing on acquiring, developing and operating life sciences properties in the innovation hubs of San Francisco, San Diego and Boston in the United States, and in the Golden Triangle in the United Kingdom.

We invite you to learn more about IQHQ's Innovation Park located in Andover, Massachusetts. Doug will discuss why this was an attractive investment for IQHQ, how the COVID-19 pandemic impacted decisions throughout the acquisition and development process, and the importance of speed- to-market especially during this period of intense tenant demand.

Watch the video [here](#).

[OIG Advocates for Increased Oversight of Medicaid Telehealth Services in Behavioral Health](#)



Telehealth's exponential growth -in part due to the COVID-19 pandemic - has highlighted both its value in increasing access to care and the potential for misuse. The U.S. Department of Health and Human Services' Office of Inspector General (OIG) released a [report](#) in September 2021 that found many state Medicaid programs do not sufficiently evaluate whether telehealth improves access to care, reduces costs, or boosts the quality of care for Medicaid recipients receiving behavioral health services. Further, the OIG found that many state Medicaid programs do not provide the appropriate oversight necessary to reduce fraud, waste, and abuse. In fact, only two (2) states have measured the efficacy of telehealth on access to behavioral health services for Medicaid beneficiaries. In short, the OIG concludes that more steps should be taken to maintain oversight over telehealth, especially in the behavioral health context.

Background

When it comes to behavioral health services such as mental health assessments and therapy, generally, depending on insurance coverage limitations, telehealth can be used and could be covered. The OIG report addresses this concept and states: “As the nation confronts the psychological and emotional impact of COVID-19, the use of telehealth will be important in addressing behavioral health needs for Medicaid enrollees.” However, providers must first understand where the value lies, how best to deliver these services, and how to avoid fraud and abuse; and that begins with monitoring and evaluating telehealth services in the Medicaid program.

OIG Findings

The OIG report found the following:

- A few states (3 of 37) could not identify which telehealth services are even offered to Medicaid beneficiaries. Not being able to identify services provided to Medicaid beneficiaries limits the state’s ability to analyze the effects of telehealth for Medicaid enrollees, monitor and provide oversight specific to telehealth, or detect and prevent fraud.
- Only a few states assessed the impact of telehealth usage on behavioral health services for Medicaid beneficiaries, despite states’ responsibilities to ensure access to care and address quality of care. An [accompanying](#) report showed that states described the challenges and limitations of using telehealth to meet the behavioral needs of Medicaid enrollees. As the reimbursement landscape continues to change and there is an increased shift towards telehealth service offerings to Medicaid beneficiaries, the OIG stated that it is critical for all states to evaluate the impact of telehealth.
- Despite concerns of states about telehealth abuse (e.g., inappropriate billing for delivering both telehealth and in-person services, billing for services not rendered, and billing for services provided from outside the country) and states’ joint responsibility to monitor their Medicaid programs, the OIG report concluded that many states (26 of 37) do not perform adequate monitoring or oversight on telehealth services to detect any fraud, waste, and abuse meaningfully. Because of the virtual nature of telehealth services and the complex regulatory environment, states cannot monitor telehealth services to the same degree as in-person services. The report also found that several states’ program integrity efforts are insufficient to monitor telehealth.

OIG Recommendations

Because the Centers for Medicare & Medicaid Services (CMS) plays an equally important role in evaluating and overseeing state Medicaid programs, the OIG recommends that CMS work with the three states that are unable to distinguish telehealth from in-person services to ensure implementation of indicators to identify which services are provided via telehealth. The OIG suggests that CMS conduct evaluations, and support state efforts to evaluate the effects of telehealth on access, cost, and quality of behavioral health services and conduct monitoring for fraud, waste, and abuse. Furthermore, the OIG encourages CMS to specifically support state efforts to oversee and monitor telehealth for behavioral health services.

Notably, CMS agreed with at least one of OIG’s recommendations; namely, CMS indicated that “it is currently monitoring the impact of the COVID-19 pandemic on behavioral health services delivered via telehealth by managed care organizations and has provided States with a Risk Assessment Template to assist State efforts in identifying and addressing program risks.” Further, CMS stated that “it will consider the results from OIG’s study to develop ways to support State efforts to oversee

behavioral health services delivered via telehealth by managed care organizations.” Whether these efforts from CMS will be sufficient to help the states at issue remains to be seen.

Takeaways

Telehealth providers should be mindful that states may begin to undertake more robust and comprehensive measures to assess and ultimately restrict access to Medicaid funds for telehealth services. Based on the OIG’s report, we anticipate that, because states are charged with determining how their Medicaid programs cover the use of telehealth, the OIG’s report may trigger more active and meaningful monitoring and oversight of the use of telehealth with Medicaid beneficiaries. States may also start to more thoroughly evaluate the impact of telehealth on access, quality, and cost. And, we anticipate that state Medicaid programs will likely undertake more significant analysis as they determine which services will continue to be covered in a post-COVID-19 pandemic world.

Accordingly, providers should heed CMS’s anticipated increased monitoring of behavioral health services delivered via telehealth. Providers receiving state-based healthcare reimbursement, for example, should undertake a risk assessment and remedial steps to ensure that telehealth services provided to Medicaid beneficiaries are in compliance with that state’s telehealth laws. This includes reviewing credentialing policies to ensure that each healthcare professional is licensed in the state in which the patient is receiving services and that the company is tracking compliance. Further, as a general practice, telehealth providers should verify that the correct Current Procedural Terminology medical codes are utilized when providing behavioral health telehealth services to Medicaid enrollees. Lastly, telehealth providers should confirm that they are properly tracking the effects of their telehealth program on Medicaid beneficiaries to better understand the impact telehealth has on access, cost, and quality.

Goodwin Webinar Series: Life Sciences Disputes



Goodwin is pleased to invite you to our Life Sciences Disputes webinar series, which will highlight current topics across our Securities Litigation and Antitrust practice areas that affect life sciences companies.

Trends and Hot Topics in Securities Litigation and SEC Enforcement for the Life Sciences Industry

November 9, 2021 - 1:00 pm - 2:00 pm EST

Life sciences and biotech companies are particularly vulnerable to securities class actions due to the variety of event-driven disclosures and the inherently volatile nature of their stock prices. Because of this, over the past several years the biotech and life sciences industries have been the most targeted industries by plaintiffs' lawyers and a consistent focus of the SEC. Our panel will address the unique securities law disclosure issues facing life sciences companies, particularly with respect to managing risk arising from disclosures of clinical trial results and communications with FDA.

[For more information and to register.](#)

FTC Antitrust Lessons Learned for Life Sciences Companies

November 18, 2021 - 2:00 pm - 3:00 pm EST

Over the past several months, Federal Trade Commission (FTC) oversight has been unprecedentedly high when it comes to exit transactions. Additionally, rules are changing in real time that affect M&A transactions and licensing collaborations, especially in the life sciences industry.

[For more information and to register.](#)