

**Managed Markets
& National
Accounts Service**

Health Plan Pharmacy Directors Research—Spring 2011

Price Protection Remains a Top Priority for Health Plan Pharmacy Directors

Health Plan Pharmacy Directors continue to voice the greatest interest in price protection, compared to other contracting approaches.

Pharmacy Director panelists report increased success in securing price protection from manufacturers, although the frequency varies widely across plans. Price protection is still well below average in availability from manufacturers and represents an unmet need for many commercial health plans.

In addition to price protection, Pharmacy Directors continue to have strong interest in access contracts for tier-three and preferred-tier formulary positions.

Top Contracting Approaches of Interest to Health Plan Pharmacy Directors

Price Protection

Access Contracts for Tier-Three Position

Access Contracts for Preferred-Tier Position

About HIRC

Health Industries Research Center (HIRC) conducts strategic market research on trends in health care, pharmaceuticals, and managed care businesses.



HIRC

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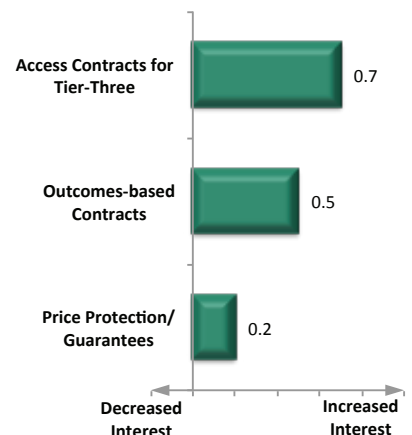
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Pharmacy Directors Report Growing Interest in Outcomes-Based Contracts

Health Plan Pharmacy Directors' interest in outcomes-based contracts increased substantially in 2011. Panelists report that few manufacturers are offering such contracts, indicating a potential opportunity for manufacturers to distinguish themselves by designing contracts tied to outcomes for key products.

Merck (diabetes) and Warner-Chilcott (osteoporosis) are mentioned most frequently by panelists as currently offering outcomes-based contracts.

Health Plan Pharmacy Directors' Greatest Increase in Interest in Manufacturers' Tactics (2011 vs 2010)



AstraZeneca Rated Best in Contracting, Merck is Top "Partner of Choice"

Health Plan Pharmacy Directors rated AstraZeneca highest in willingness to negotiate contracts. AZ is seen as flexible, aggressive, and very open and direct in their negotiations with health plans.

Novartis was rated highest on value of programs and resources, and was cited for their excellent broad-based hypertension programs, terrific patient education for DM, and strong trend reports.

Merck was selected most often as Health Plan Pharmacy Directors' "Partner of Choice", while AZ received the most Best Account Manager nominations.

Top Manufacturers — HP Pharmacy Directors			
Best in Contracting	Best in Programs/ Resources	Partner of Choice	Best Account Managers
AZ	Novartis	Merck	AZ

Health Plans Shifting Toward Specialty Tiers and Coinsurance for High-Cost Products

In HIRC's in-depth interviews, Pharmacy Directors report that controlling the cost of specialty pharmaceuticals is one of their greatest challenges. To better manage specialty pharmacy, seven of the twelve interview panelists have or are planning to launch fourth and fifth formulary tiers for specialty drugs, with most using or planning percentage copays. This trend mirrors findings from HIRC's interviews with PBMs who indicated a shift toward coinsurance for specialty products within their book of business.

Report Methodology and Availability

HIRC's Health Plan Pharmacy Director research was conducted in the first quarter of 2011 through a combination of 36 surveys and 12 in-depth interviews with Pharmacy Directors from key commercial health plans. The complete findings are available in Chapter VI (Customer Needs and Manufacturer Ratings) of the Spring Managed Markets & National Accounts Handbook, which is available to subscribers at www.hirc.com.

About HIRC's Managed Markets & National Accounts Service

Managed Markets and National Accounts is the most comprehensive research service available to help pharmaceutical firms assess performance and stay abreast of trends within a multitude of managed care, government and institutional markets. Surveys and interviews conducted with:

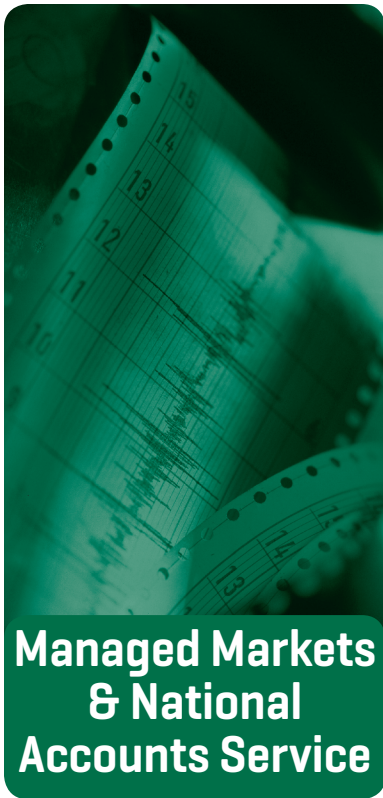
- Health Plan Pharmacy Dir.
- Health Plan Medical Dir.
- PBMs
- Medicare PDPs
- Medicaid MCOs
- State Medicaid Directors
- Specialty Pharmacies
- LTC Consultant Pharmacists
- Hospital Pharmacists
- Retail Drug Chains

Key reports include:

- *Ratings of Manufacturers on Contracting & Programs*
- *Customer Needs Assessment*
- *Pharma's Ratings of Customers*
- *Market Segment Situation Analyses*
- *Future Scenarios*
- *Headcounts & Organizations*

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Health Plan Medical Directors Research—Spring 2011

Patient Centered Medical Homes a Growing Focus for Key Health Plans

In HIRC's in-depth interviews, Health Plan Medical Directors indicated their plans are actively supporting the development of patient-centered medical homes (PCMH) via a wide range of initiatives including new physician contracts, enhanced IT systems and novel performance metrics.

Medical Directors report increased support from pharma for PCMH, with Merck, Pfizer, Novartis and Lilly mentioned specifically. Across all of HIRC's panels, Merck was cited most frequently for their support of PCMH.

Merck Rated Best in Programs/Resources and is Top "Partner of Choice"

Health Plan Medical Directors rated Merck highest on value of programs/resources. Merck is cited for its resources targeting a broad range of disease states, particularly diabetes, asthma and immunizations, and for educating physicians on treatment guidelines.

Novartis was rated highest on quality of clinical support for their products, because of its extensive and well-regarded resources targeting hypertension, and its clinically knowledgeable scientific liaisons and account managers.

Merck was selected most often as Health Plan Medical Directors' "Partner of Choice", while Pfizer, Merck and sanofi-aventis were tied for the most Best Account Manager nominations.

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Top Manufacturers — HP Medical Directors			
Best Clinical Support	Best in Programs/Resources	Partner of Choice	Best Account Managers
Novartis	Merck	Merck	Merck/Pfizer/sanofi-aventis

Impact of Compliance and DM Programs on MLRs Remains Uncertain

Tremendous uncertainty exists among Health Plan Medical Directors concerning how compliance/adherence and DM initiatives will impact their plans' medical loss ratios (MLRs), with panelists voicing mixed opinions on whether these programs will be treated as medical or administrative expenses.

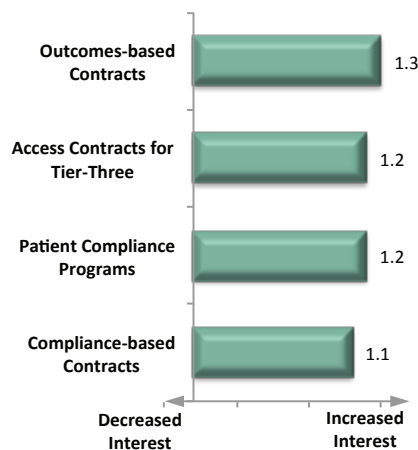
Nevertheless, most plans are not planning any significant changes in their investment levels in these patient-oriented programs.

Outcomes and Compliance-Based Contracts of Growing Interest to HP Medical Directors

Health Plan Medical Directors' interest in outcomes-based and compliance-based contracts increased substantially in 2011. This trend mirrors findings from HIRC's research with Health Plan Pharmacy Directors who also reported greater interest in outcomes-based contracts.

The increased interest in outcomes contracting may be related to the growing focus among health plans on quality measures, in response to the health care reform bill.

Health Plan Medical Directors' Greatest Change in Interest in Manufacturers' Tactics (2011 vs 2010)



Report Methodology and Availability

HIRC's Health Plan Medical Director research was conducted in the first quarter of 2011 through a combination of 23 surveys and 11 in-depth interviews with Medical Directors from key commercial health plans. The complete findings are outlined in Chapter VI of the Spring Managed Markets & National Accounts Handbook, which is available to subscribers at www.hirc.com.

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