

**Managed Markets  
& National  
Accounts Service**

# Market Segment Situation Analyses — Fall 2011

## Medicare & Medicaid Reshaping Health Care Delivery and Reimbursement

Medicare growth will accelerate over the next ten years, as Baby Boomers age in and employers lose their subsidy on retiree drug benefits in 2013. PDPs will continue to dominate Part D, as the growth in Medicare Advantage slows due to reimbursement cuts. Tactics demanded by Medicare Part D plans, such as tier-three rebates and price protection, are spilling over to the commercial sector. Likewise, Medicare requirements for quality and outcomes measures will soon permeate the entire healthcare landscape.

Medicaid is fast on its way to becoming the nation's largest insurer with the addition of 16 million lives in 2014, as health care reform expands Medicaid eligibility to cover the uninsured. Intense cost pressures are driving states to move beneficiaries into lower-cost managed care plans with greater pharmaceutical restrictions. Medicaid MCOs, however, are facing profit pressures, as most manufacturers have reduced or eliminated their rebates to Medicaid managed care plans, to avoid double-dipping.

## Government Programs Projected to Pay Half of Health Care Expenditures by 2020

The government's share of health expenditures will climb to almost 50% by 2020, with the expansion of Medicaid and introduction of health Exchanges, driving growth in highly cost-sensitive market sectors and increased profit pressures on pharma.

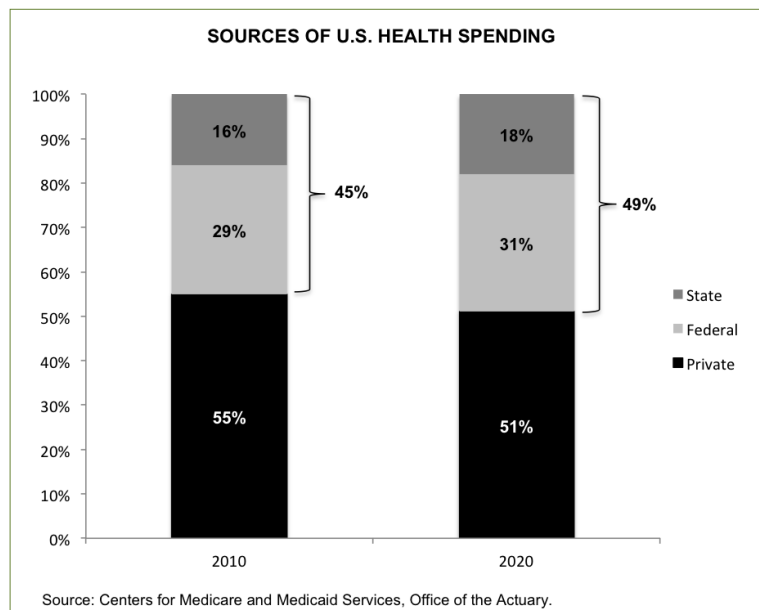
**About HIRC**

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

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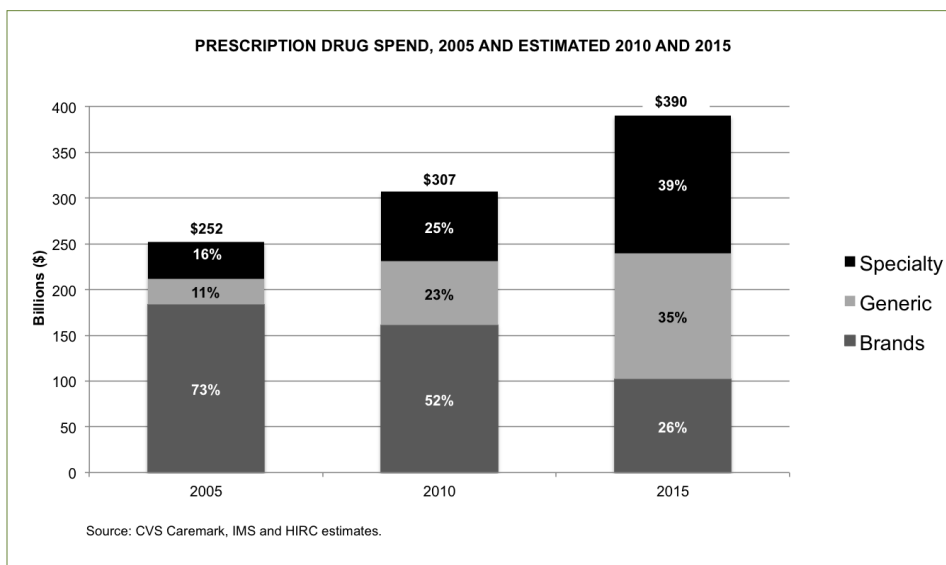


## Health Care Market Rife with Consolidation and Amalgamation of Players Across Sectors, Blurring lines Between Traditional Segments

The distinction between traditional market segments has blurred as numerous healthcare companies are establishing linkages and partnerships with other players to create stronger value propositions and improve operating efficiencies.

**A tectonic shift is occurring in the commercial health insurance market, as plans shift from traditional fee-for-service to paying-for-value, based on quality and cost outcomes, and coordinated, evidence-based care. Physician groups and hospitals are creating partnerships and aligning their organizations to participate in ACOs (with both commercial insurers and Medicare), as well as bundled or episode-of-care payments and other reform initiatives.**

The rapidly expanding specialty pharmaceutical pipeline is driving intense competition among specialty providers hoping to cash in on high-margin transactions. **Specialty pharmacies, wholesalers, alternate infusion sites, oncology GPOs, retailers, PBMs and health plans are creating alliances or consolidating to jockey for position and control of specialty drugs.**



## Report Methodology and Availability

HIRC's Market Segment Situation Analyses were prepared in the summer of 2011 through a combination of extensive secondary research as well as primary research from panels conducted earlier in the year. The complete findings are outlined in Chapter III of the Fall Managed Markets & National Accounts report, which is available to subscribers at [www.hirc.com](http://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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