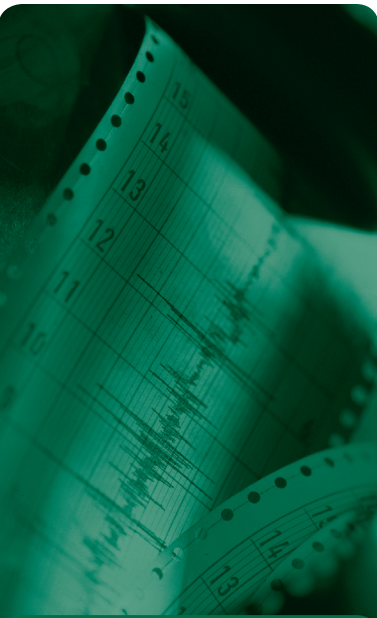


Medicare PDP Research—Spring 2011



**Managed Markets
& National
Accounts Service**

Reform Bill Making Quality Measures a Higher Priority Among MA Plans

In HIRC's in-depth interviews, plans with Medicare Advantage lines report that the reform bill's reimbursement cuts, coupled with bonuses for MA plans with high star ratings, is already driving a "greater focus on quality" than ever before. Some plans are looking closely at formulary changes that could improve their star rating, and are considering tightening up their formularies to get better cost control.

In contrast, Medicare PDPs see little near-term impact from health care reform, save the threat of reduced rebates and Rx price increases due to pharma's financial liability for the Medicare coverage gap. Longer-term, PDPs see growth opportunities from elimination of the retiree drug subsidy, which they anticipate will prompt more employers to drop retiree drug coverage.

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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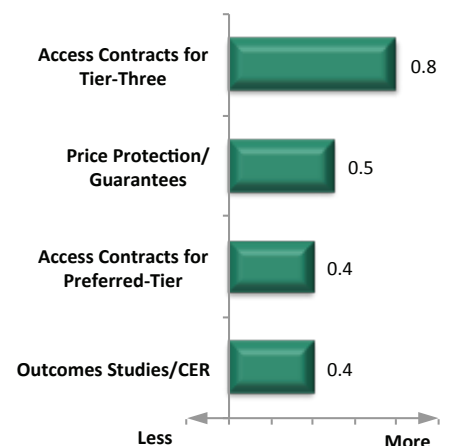
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More Manufacturers Offering Price Protection and Tier-Three Rebates to Medicare PDPs

Medicare PDP executives report that Access Contracts for Tier Three and Price Protection are the fastest-growing tactics among all contracts, programs and resources being offered by manufacturers.

Although the proportion of manufacturers offering price protection varies substantially across plans, the largest PDPs indicate they are successful in securing price protection from the vast majority of manufacturers.

Medicare PDPs: Greatest Change in Availability of Manufacturers' Tactics During the Last Year



Allergan and Merck Rated Best in Contracting, AZ is Top "Partner of Choice"

Medicare PDPs rated Merck and Allergan highest in willingness to negotiate Medicare contracts. PDPs say that Allergan "*understand the critical need to be competitive*" in the Medicare market and has a strong appreciation of the LIS business. Merck is seen as more flexible and "*willing to think outside the box*" than before.

AstraZeneca was selected most often as Medicare PDPs' "Partner of Choice", and is tied with Takeda for the most Best Account Manager nominations.

Top Manufacturers — Medicare PDPs			
Best in Contracting	Best in Programs/ Resources	Partner of Choice	Best Account Managers
Allergan & Merck (tie)	Merck	AZ	AZ / Takeda

Jury Still Out on Likely Impact of ACOs

About one-fourth of Medicare interviewees are optimistic about the potential impact of ACOs on quality and cost outcomes, however, most Medicare panelists feel it is simply too soon to judge. Three of twelve interview panelists indicated their plans have specific ACO initiatives underway in their markets.

Some panelists see a potential role for pharma in supporting ACOs' quality and cost goals through programs and promotion tied to appropriate use and quality measures, as well as outcomes-based contracting.

Report Methodology and Availability

HIRC's Medicare PDP research was conducted in the first quarter of 2011 through a combination of 15 surveys and 11 in-depth interviews with executives from key Medicare PDP 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.

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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