

Specialty Pharmacy Research— Spring 2011



Managed Markets & National Accounts Service

Manufacturers Shift to Fee-for-Service and Value-based Contracting with Specialty Pharmacy

Manufacturers have moved away from access and volume discounts with specialty pharmacies, in favor of data contracts, performance and compliance-based contracts.

- *"If there is any ASP implication whatsoever, the manufacturers don't want to give discounts anymore."*
- *"Manufacturers will open up their wallets wide if you give them a lot of data."*

Most Prevalent Contracting Approaches for Specialty Pharmacy

Data Contracts

Performance-Based Contracts

Compliance-Based Contracts

Key contract performance measures include outbound calls, prescription turnaround time, prior authorization success rates, physician interventions, and therapy adherence.

Manufacturers will often pay extra for services and data they deem beyond the standard service offerings including:

- REMS services
- Detailed clinical data
- Extra mailings
- Frequent outbound calls.

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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Copay Cards Rampant for Specialty Rx

Copay cards are the most prevalent tactic seen by specialty pharmacy executives, and increased in availability in 2011 more than all other manufacturer contracting and program/resource tactics.

Specialty Pharmacy interest in copay cards appears to be waning somewhat, with some panelists expressing concern that copay cards undermine payers' formularies, and questioning manufacturers' motives and methods.

Vertex Impresses Specialty Pharmacy Customers

Vertex has established strong positive perceptions among many specialty pharmacy executives through its pre-launch activity for *telaprevir*. Rated by 50-60% of panelists, Vertex ranked 1st overall in combined contracting and program scores in 2011.

UCB Pharma and Vertex were tied for the highest rating in willingness to negotiate contracts, followed by Teva Brand Pharmaceuticals.

Merck had the strongest improvement in contracting and program scores, jumping from 20th overall in 2010 to 4th in 2011, on the strength of its acquisition of Schering. Merck also received the most Best Account Manager nominations.

| Top Manufacturers — Specialty Pharmacy | | |
|--|--------------------------------|--------------------------|
| Best in Contracting | Best in Programs/ Resources | Best Account Managers |
| UCB & Vertex (tie) | Vertex | Merck |

Specialty Pharmacies Facing Margin Pressures

Erosion of margins remains a top concern of specialty pharmacy executives who view scale, efficiency and creative ideas for new revenue streams as critical to survival in this highly competitive market.

Health care reform is expected to bring significant new patient volume, but at “razor thin margins.” Small, non-PBM owned specialty pharmacies face additional challenges gaining access to limited distribution pharmaceutical networks and payer contracts.

Report Methodology and Availability

HIRC's Specialty Pharmacy research was conducted in the first quarter of 2011 through a combination of 11 surveys and 10 in-depth interviews with executives from key specialty pharmacy providers. 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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