

Managed Markets & National Accounts Service

Quality Initiatives Growing in Prominence at Commercial Managed Markets while Support from Pharmaceutical Companies Remains Somewhat Limited

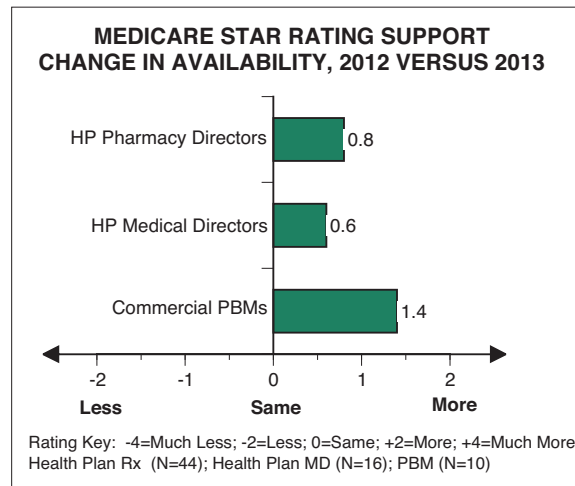
Commercial managed market panelists [i.e., Health Plan Pharmacy and Medical Directors, and Commercial PBMs] report that their plans are expanding their quality initiatives driven both by their interest in enhancing revenue through strong Medicare star ratings and the shift toward value-based contracting with providers via ACOs.

Key Finding:

Commercial managed markets customers report minimal, but growing, pharmaceutical company support for Medicare star rating initiatives.

Enhancing adherence rates, particularly for diabetics, and reducing hospital readmissions are particularly challenging issues for the health plans and providers.

Pharmaceutical company support of Medicare star programs appears to have increased in the past year but overall availability of resources remains relatively low.



“We keep asking them and that’s what they still haven’t quite done yet. We’ve given people lots of ideas as to how to help us, but they haven’t come back with anything yet.” [HP Medical Director]

“I’m seeing more and more [stars programs]. Five or six years ago, they’d come to us and say, ‘Hey, we have a DM program that you can take off the shelf and implement.’ But I think it’s shifted to things focused on compliance, on star metrics, things like that.” [HP Medical Director]

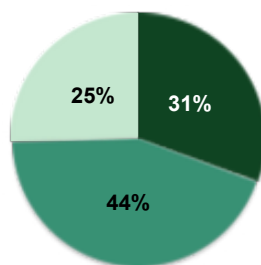
Panelists suggest that the greatest opportunities for manufacturers to support Medicare star ratings are through the following programs: support for adherence and compliance; quality resources targeted to provider groups; and physician education programs to raise awareness about the impact of stars on their practice and reimbursement.

ACO Activity in High Gear with Commercial Health Plans

Three-quarters of commercial Health Plan Pharmacy and Medical Directors surveyed report that their plans have ACO-type contracts in place, or in development, with providers. Although most of the initial contracts are based on a shared savings approach, many panelists believe that the ultimate goal is to fully share the risk with providers for all of their patients' health care costs.

While plans report little to no pharmaceutical industry presence in their initiatives with emerging ACOs, many acknowledge that they have limited interest in pharma support for their ACO initiatives and that pharma should be collaborating directly with providers to support their quality and outcomes initiatives.

COMMERCIAL HEALTH PLANS' PARTICIPATION IN ACO CONTRACTS



■ Yes, In Place ■ In Development ■ No

Commercial Health Plans: HP Pharmacy Directors (N=44) and Medical Directors (N=15).
Source: HIRC, *Managed Markets Service*, Spring 2013.

Manufacturers Demonstrate an Increased Willingness to Contract for Specialty Products

Payers are reaping financial benefits from rebates tied to preferred formulary positioning for select specialty products as competition within a growing number of specialty drug categories escalates. Many panelists also report that they are getting steeper discounts for specialty products in categories such as growth hormones, MS, RA and hepatitis C.

"There are a lot of specialty product contracts; for example, with the TNF agents, Enbrel and Humira, in the rheumatoid arthritis class. We also have a single preferred product under hepatitis C, Pegasys, and a single preferred product for growth hormone. We have contracts for multiple sclerosis and in the fertility space." [HP Pharmacy Director]

Plans expect a significant increase in the availability of contracts for oncology drugs as competition increases -- especially for oral drugs and in categories like renal cell carcinoma.

Research Methodology and Report Availability

HIRC's spring 2013 research was conducted in the first quarter of 2013 through a combination of 130+ surveys and 60+ in-depth interviews with decision makers in three Commercial and three Government managed markets. The full report, *Customer Needs & Emerging Issues*, is available to subscribers at www.hirc.com.

The Managed Markets & National Accounts Service provides a wealth of strategic and tactical information, including benchmarking, competitive intelligence, customer needs and emerging issues within eleven separate markets; environmental assessments of market segments that influence the availability, price and utilization of pharmaceuticals; and managed markets headcounts and organizational trends based on confidential data from 30 pharmaceutical companies.

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