

Managed Markets & National Accounts Service

Reducing Hospital Readmissions is a Challenge for Government Managed Market Customers but Opportunities Exist for Manufacturer Support

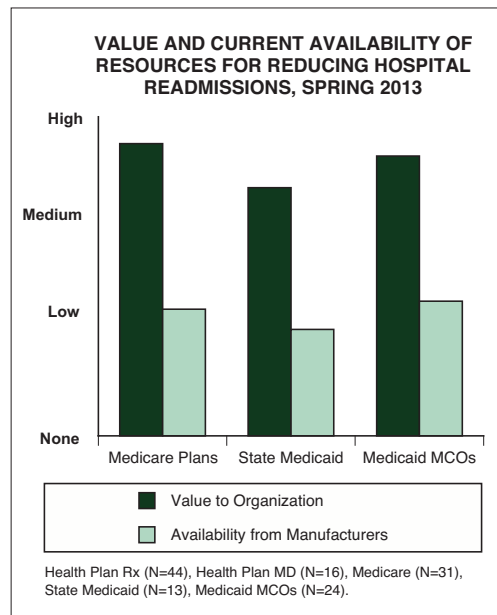
CMS' efforts to enhance quality of care by linking hospitals' reimbursement payments to their readmission rates is having a widespread impact on both providers and payers. Government managed market panelists (i.e., Medicare plans, State Medicaid agencies and Medicaid MCOs) are focusing substantial resources on initiatives to reduce hospital readmissions.

Key Finding:

Plans believe that manufacturers can leverage existing data and programs to impact hospital readmissions.

"On the Medicare side, readmissions and coordination of care...are so tremendously important. Sixty percent of Medicare members who are admitted to the hospital are readmitted within 12 months. If you could just reduce that to 40 percent or 30 percent, that would be enormous savings." [HP Medical Director]

They also place high value on programs that pharmaceutical manufacturers could provide to support them in their efforts, but report only low levels of support from pharma to date.



Plans—and particularly Medicaid MCOs—believe that manufacturers' efforts to enhance drug compliance could also help reduce hospital readmissions.

"Manufacturers aren't providing anything specific to help us with readmissions. Drug adherence is probably the biggest thing they could help us with because the biggest reason for readmission is that they don't fill or take their drugs in the first few days. Drug adherence programs are a huge gap." [Medicaid MCO]

J&J and Boehringer Ingelheim are among the few pharmaceutical companies partnering with plans to directly address concerns about hospital readmissions.

Price Protection on Traditional and Specialty products remains the Most Significant Unmet Need for Government Managed Markets

Government managed market panelists identify price protection for traditional and specialty products as two of the highest value partnering tactics among all contracting initiatives and programs. However, overall availability of price protection remains below-average despite reports of modest increases in availability for select customers in some markets.

- Price protection is typically structured as either a predetermined cap or a rate tied to CPI or a similar benchmark.
- State Medicaid and Medicare customers appear more successful in securing price protection than commercial health plans. Medicare executives report price protection on 35% of their contracts for 48% of the products.

"We're the big gorilla on the block and we were one of the first big national plans with price protection. Now they have to do it with us to get in the door..." [Medicare Plan]

Price protection for specialty products remains rare although manufacturers in increasingly competitive categories are demonstrating some willingness to offer price protection for key products.

"On the specialty side, we're seeing some more price protection on certain specialty categories, like MS, where there's more competition." [Medicare Plan]



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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HEALTH INDUSTRIES RESEARCH CENTER (HIRC) is an independent, nonpartisan organization that conducts strategic market research on trends in health care, pharmaceuticals and managed care businesses. HIRC's benchmark studies focus on the marketing needs of pharmaceutical companies by providing research critical to the development of successful customer-focused marketing strategies.

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