Volume 10, Number 24 December 18, 2009

DRUG BENEFIT NEWS

In Their Own Words: Industry Execs Offer Forecasts for 2010

The following interviews are part of an occasional DBN *series that examines hot-button pharmacy benefit issues through the words of the industry's thought leaders. To suggest a topic and commentator, contact Renee Frojo at rfrojo@aispub.com.*

DBN caught up with experts across the pharmacy benefit industry to get their thoughts on what might be in store for benefit executives in 2010. Those offering forecasts are Chief Medical Officer Jan Berger, M.D., and General Manager of Pharmacy Solutions George Van Antwerp at Silverlink Communications, Inc.; Robert Epstein, M.D., chief medical officer at Medco Health Solutions, Inc.; Co-owner Tim Watson, Pharm.D., and President Dana Felthouse of the Pharmacy Benefit Management Institute; Tim Heady, CEO of UnitedHealth Group unit UnitedHealth Pharmaceutical Solutions; and Jim Yocum, executive vice president of DestinationRx, Inc.

DBN: ***What are the most likely developments that could affect pharmacy benefit executives in the year ahead?***

Antwerp: While health care reform or market consolidation could impact the industry, we don't see either as having a material impact in 2010. We expect several trends. There will continue to be a focus on mail-order utilization, specialty pharmacy market share and generic fill rate, and the sophistication of those programs will continue to evolve. PBMs will look at how to predict responses by patients to offers such as retail-to-mail [incentives] and subsequently segment the market using variables such as condition, age, and plan design….Additionally, there will continue to be efforts to create a single view of the member in a longitudinal view of their claims and intervention history. PBMs will begin to think and act more like consumer companies employing techniques like motivational interviewing and behavioral economics.

Epstein: The question of what to focus on is really changing. It was all about cardiovascular disease 10 to 15 years ago, but in the last couple of years things like diabetes, ADHD [e.i., attention deficit hyperactivity disorder] drugs and even specialty [pharmaceuticals] have really accelerated. Some of these areas, like treating psychiatric disorders in children, just haven't been under the radar screen as much. Also, personalized medicine or pharmacogenomics is an issue that people should pay attention to *(DBN 12/4/09, p. 1)*. As tests are starting to come to the market, it's not too early to get some experience and exposure to the tests and the drugs and how the two line up with each other.

Yocum: Getting in position for the fallout of health care reform. While overall market size will likely increase, proposed price negotiation may reduce both comparative bargaining power with the manufacturers and comparative margins on branded and generics. While most of the proposals include some kind of drug benefit where there is none today, it will be difficult to "wall off" the transparency among market and demographic segments, like with the elderly and [Medicare] Part D. Also, the slow spread of "transparent" PBMs, direct competition from Wal-Mart [Stores, Inc.] and other nibbles at the margins of the business [are] making the core PBM business both smaller and less differentiated. Critical mass of these nontraditional business models may be reached in five years.

DBN: ***What are the biggest drug-management challenges facing pharmacy benefit executives in 2010?***

Berger: Health reform will bring both good news and challenges to the PBM marketplace. Having more people insured will increase the number of potential covered lives in the pharmacy space. This will require greater focus on education and support for this population. This will also require that communications be health literacy-sensitive.

PBMs will have to continue to improve on efficiencies in achieving generics migration and distribution toward mail order over the next year. This will need to be achieved through focused provider and consumer communications.

Epstein: Firstly, diabetes continues to be on the rise and is now becoming the biggest category of spending for pharmaceutical benefit executives. And while there are more drugs in the pipeline, there also are more and more obese people in this country, so it's really a challenge. Another area would be oncology, since those drugs have been a major cost driver this year. With the pipeline so full in that area, this is good news because people will have opportunities to survive longer, but it's becoming a bigger and bigger part of the expense issue and needs to be managed.

Felthouse: There is a huge challenge in medication adherence, because when you're investing in maintenance medi-

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cations for long-term conditions, you really want to make sure that people take their medications properly.

Heady: The fact that health care is becoming more expensive, that the population is aging and that more people are developing conditions where prescription drugs are an important part of their overall treatment means that affordable access to drugs generally continues to be a challenge…. [That's] especially as the economy has been down and some employers who have struggled to provide benefits are looking to make changes to those benefits that lower their costs. The good news is that people still have a benefit, but the question is can they afford their share of the cost when they need a medicine?

DBN: ***What important pharmacy-related aspects of health reform are likely to become a reality?***

Epstein: I can't imagine that we won't get a biosimilars or follow-on biologics bill. That's going to be a reality, but of course it will take at least two to three years for the first one to come to market. Also, for pharmaceutical benefit executives, the uninsured benefit and how that will be managed is likely to be seen. In some ways it opens up a new market for pharmaceutical benefit executives to operate with all the uninsured suddenly getting insured.

Felthouse: It's too early to call what's going to happen in pharmacy. It won't be in 2010, and I think that pharmacy is just too far down the food chain for this first round of legislation.

Execs See Consolidation in 2010

DBN: ***Are more PBM acquisitions likely in 2010? How does this affect business?***

Epstein: Several large health plans have determined that they would like to get out of the business of managing their pharmacy, which makes sense because in the world of health plans, typically pharmacy represents 10% or 12% of the total dollar. But the investment to manage all the software and systems and challenges associated with the ever-increasing prescription drug area make it not worth it to them anymore. They may be looking for people to acquire them.

Felthouse: Mergers and acquisitions do cause some disruption and some uncertainty for the plan sponsors or the customers of the PBMs that are involved in those integrations, so it does offer an opportunity for PBMs that are not involved in an acquisition to compete a little bit more on service. It will be interesting to see what impact major mergers will have on things like choice and pricing and how industry consolidation will play out in the marketplace.

Watson: I think so, but it's like throwing darts. Yes, there are some people that will say no, but there will be [more consolidation]. This is a business where scale matters, and some of the smaller companies are better served by having partners that have better breadth and depth. On the opposite side of that statement, from a payer's perspective, one wonders whether or not the benefits that were touted from some of the megamergers that have already happened have materialized, and the verdict is still very much out on those points.

Yocum: Consolidation has run its course. Further consolidation will not reap the value harvesting of earlier years, as scale has reached a point of diminishing returns. That doesn't mean that some smaller/midsize PBMs can't reap some value, but larger mergers will just end up chasing their tails.

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