## LETTERS

# Medicare Part D: It's "Crunch Time" and Many Brand Teams Aren't Ready

"If Medco called tomorrow to ask how I would contract my product under Part D, I couldn't tell them. The trouble is, they just might call tomorrow!" I've heard similar quotes from numerous brand directors over the past month as they begin to realize that time is getting short to determine how they will compete under Medicare Part D.

*— Kevin Barnett*

## Under the gun

On Dec. 8, 2003, President Bush signed the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) into law. While the new Medicare Part D drug benefit will not go into effect until Jan. 1, 2006, just last month the landscape changed slightly, bringing a further sense of urgency to the pharmaceutical industry. Guidance issued by the Centers for Medicare and Medicaid Services (CMS) on Dec. 3, 2004, makes the timeline even tighter, as it requires managed-care organizations (MCOs), pharmacy benefit managers (PBMs), and other possible plan administrators to submit their formularies and approved drugs to CMS by April 18, 2005. Pharmaceutical companies now must make product-specific pricing and contracting decisions in January and February 2005.

To meet that deadline, MCOs and PBMs will contact pharmaceutical companies during the preceding months to ask how they plan to contract for their products. Unfortunately, many pharma companies are not yet ready. In our discussions with pharmaceutical companies, we have found that many executives are just beginning to look closely at developing these strategies, forcing them to make extremely critical and strategic decisions in a very short period of time. To make the right decisions, brand teams must be able to confidently answer a number of the key questions listed below. Doing so will enable them to gain a solid understanding of the Medicare Part D environment and then use that to develop strategies and tactics that will help them contract their products appropriately.

**Understanding the Medicare Environment:**

- Under Part D, what factors will drive sales and profitability for our product? What are the key issues and opportunities facing our product?
- How is the Medicare population segmented for our product (i.e., by age, income, geography, dual-eligibles, current/future source of prescription coverage), and what are the implications for our business?
- How prevalent are our product's indications in the Medicare population? How are these conditions currently managed and how might this change under Part D?
- How are MCOs and PBMs participating in Medicare Part D likely to handle our drug class?
- How might Part D affect other areas of our product's business, such as commercial managed care and Medicaid?

**Developing Your Product-Specific Strategies and Tactics:**

- What are the critical clinical and economic components of our product's Part D value proposition and positioning? How should these differ across stakeholders (MCOs, PBMs, physicians, and seniors)?
- What clinical, health economics, outcomes research, and regulatory actions will be required to support our product's positioning in Part D?
- What innovative contracting approaches should we consider to obtain access under Part D?
- How should our contracting approaches differ by customer (i.e., Prescription Drug Plan vs. Medicare Advantage) and formulary position?

With the uncertainties surrounding the MMA and Part D, the ultimate impact on the pharmaceutical industry is unclear at this time. The effect that Part D will have on individual companies will vary, and time is working against companies in terms of planning. Companies with the greatest portion of their products' utilization represented in the Medicare population will have the most at stake under Part D.

Many pharmaceutical companies have a great deal of research, analysis, and decision making to do in the next two months to make strategic choices that will likely have lasting ramifications. It's down to crunch time, seriously.

*Kevin Barnett*
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## What's Your Opinion?

**MEDICARE PART D**

In the next two to three months, pharmaceutical companies will have to make serious decisions regarding how they plan to contract their products to managed-care organizations and pharmacy benefit management companies, as well as other reimbursement players, based on a guidance issued by the Centers for Medicare and Medicaid Services (CMS) on Dec. 3, 2004. The guidance requires managed-care organizations (MCOs), pharmacy benefit managers (PBMs), and other possible plan administrators to submit their formularies and approved drugs to CMS by April 18, 2005. Pharmaceutical companies will have to have contracting and reimbursement plans in place in the next two months to meet this deadline.

PharmaVOICE wants to know: Is your company ready? And, what strategies have you put in place to meet the guidance requirements?


**WHAT'S YOUR OPINION?**
Please e-mail your comments to feedback@pharmavoice.com.