Contributed by John J. Seman

SIX CRITICAL STEPS TO SECURING FORMULARY PLACEMENT

When launching a new product, marketers tend to focus on core audiences such as the physician and the patient, and on the clinical aspects of the drug, highlighting safety and clinical effectiveness. These factors are essential to a successful launch, but there are two additional factors that are rapidly growing in importance. The first is assessing and understanding the attitudes of payers, and the second is focusing not only on the clinical effectiveness, but also on the cost-effectiveness of the product.

POSITIONING A PRODUCT FOR SUCCESS

The cost of healthcare continues to accelerate with close to double-digit expenditures annually. Prescription spending alone represents more than one-third of the increase. Given these statistics, it is no surprise that health plans closely scrutinize new products when deciding which ones will be accepted on formulary.

One result of increased spending on pharmaceuticals is that rising costs are being passed on to consumers through a system of tiered co-payment benefits. Such a system motivates and rewards consumers for using generic and formulary drugs by imposing progressively higher co-payments for newer brand name and non-formulary drugs. In a three-tiered system a patient may pay $5 for a generic, $10 for a formulary product, and $35 for a non-formulary brand product. Some pharmacy benefit-management companies have introduced five-tier systems that have patients paying as much as $50 for higher-tier products.

There are not many consumers who will accept a co-pay of $50, or even $35, if an equally acceptable drug can be had for less. Pharmaceutical marketers want to be sure their products do not fall into the higher co-payment categories.

AVOIDING PITFALLS

So what should a marketer do to avoid such a pitfall? Below are six considerations for pharmaceutical marketers when planning for formulary placement.

1. Plan early. At least 12 months before the anticipated product launch, develop a formulary-placement strategy along with the sales and marketing plan. Include specific details on product placement and reimbursement as part of the overall plan.

2. Assess competitors. Evaluate competing products, as well as products in the pipeline that will be future competitors to the product. Determine the safety, clinical effectiveness, and cost of therapy for each of these products. Understand the payer perceptions of these drugs and their status on formularies. And determine how Medicare and each state's Medicaid system view these products.

3. Determine the value proposition. Armed with the safety and clinical data of both the upcoming product and its competitors, determine the value proposition for the product. If the new product offers a distinct clinical advantage, such as better outcomes or fewer side effects, it might be possible to secure a favorable position on formulary. If the product does not offer a distinct clinical advantage, the strategy may be focused more on the cost-effectiveness of the product vs. competing products.

4. Survey payers. To effectively implement a formulary placement strategy, the product marketer must understand policies, time lines, and processes of the targeted payer organizations. Conducting a survey captures this information and provides the foundation for a tactical plan. Marketers have to evaluate managed-care organizations and government payers to determine the optimal approach, including timing, for bringing new therapies to their attention.

5. Understand unique formulary processes. Managed-care organizations often use three distinct committees to assist in the development of formularies. The Technology Assessment Committee usually consists of a team of pharmacists and a senior physician who conduct a complete clinical assessment that includes peer-reviewed literature and outcomes data. The drug under review is compared with similar products already on formulary. The Value Assessment Committee adds cost considerations to the analysis and develops a formulary-placement recommendation. The Pharmacy and Therapeutics Committee, consisting of community and academic-affiliated physicians across specialties, makes the final decision based on the recommendations of the two committees. Government payers often wait to evaluate the market demand for a new product before determining its status on their formularies

6. Know targets and time lines. The initial strategy should detail the managed-care organizations or government payers that are the priority targets as well as the geographic focus (regional vs. national). This enables the marketer to determine and meet essential deadlines for committee evaluations as established by the managed-care organizations. For example, some payers may allow manufacturers to deliver a presentation about the product to the Technology Assessment Committee before its formal meeting; others may wait until six months after launch. Marketers must understand each payer's procedures, and seek to get on the agenda months in advance.

A strategic-reimbursement plan that incorporates ongoing payer communication — and reaches out to providers, physicians, and consumers — can position a product for success for years.

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