BY DENISE MYSHKO

EMPLOYERS: A Growing Influence

THE DEGREE OF SKILL NEEDED TO NEGOTIATE IN THE PHARMACY BENEFIT WATERS, ESPECIALLY FOR LARGER EMPLOYERS, IS INCREASING. EXPERTS SAY PHARMACEUTICAL COMPANIES MUST HAVE A STRATEGY TO ADDRESS EMPLOYER NEEDS.

While most employers are focused on managing healthcare costs and look to their benefit plans to do that, some progressive companies are more actively involved with managing overall healthcare and benefits. These employers are looking not only to impact employee health and productivity but they are also looking for cost models about disease states or classes of drugs. About 80% of the 422 U.S. human resources professionals surveyed identified healthcare cost containment among the top five priorities this year, with 36% ranking it No.1, according to an annual survey by Deloitte Consulting LLP and the International Society of Certified Employee Benefit Specialists.

Some employers have been very proactive in their efforts to manage healthcare costs and improve productivity.

Pitney Bowes, for example, has operated a Health Care University wellness program for more than 10 years, which has become more sophisticated with time. The company's current program aims to incentivize healthy behaviors around five factors: smoking cessation, healthy

INCORPORATING THE EMPLOYER SEGMENT INTO A MANAGED MARKET STRATEGY

According to the Centers for Medicare & Medicaid Services (CMS), 84% of spending on prescription drugs in 2007 will be managed by third-party payers. With implementation of Medicare Part D in the pharmaceutical industry's rear-view mirror, many companies have refocused their efforts on identifying and prioritizing the most impactful managed-markets segments (see chart on this page) to target as part of their overall customer strategy.

While the relative importance of any given payer segment may vary by product, in general the employer segment has not been seen as an area of great importance. Many companies have completely overlooked the employer segment given the difficulty of reaching decision makers and driving business in this segment.

"But the importance of the segment has increased of late as employers try to drive down costs," says Tony Lanzone, senior practice executive, managed markets practice, Campbell Alliance. "In a recent benchmarking study we conducted with many of the top 20 pharmaceutical and biotech companies, we found that some firms view employers as a strategic and evolving segment — and that they believe that strategic relationship-building over time may increase employers' awareness of certain disease states and help them see certain products as appropriate pharmacological treatment."

Reaching the employer market requires pharmaceutical manufacturers to take a different approach from other traditional managed markets segments, because it calls for relationship building over time.

"In fact, half of the companies we spoke with indicated that they have had in place a dedicated employer account management team of four to eight full-time individuals for more than five years," he says.

These individuals had several primary objectives in mind when calling on employers, including: influencing benefit design; identifying opportunities to offer educational programs, wellness programs, and health screenings; improving disease-state awareness and treatment; and reaching more appropriate patients with pharmacotherapy.

With these objectives in mind, establishing credibility is critical to succeeding with employers. To do so, pharmaceutical companies should focus on several key areas of opportunity, including: establishing a collaborative relationship; filling in information gaps in treatments, outcomes, and pricing; developing tools and providing data; and building clinical and healthcare knowledge in emerging disease states.

Overall, the employer segment is dramatically different from most other managed-markets segments. Succeeding there requires pharmaceutical companies to take a long-term perspective and focus on developing relationships that support and are aligned with employers' needs. Selling in this market involves aligning an organization's strengths, for example, product portfolio and resources, with the needs of employers who have the capability and interest to collaborate with pharmaceutical manufacturers. There is no silver bullet for successfully competing in the employer market, but for those companies willing to make the investment, the opportunities may be significant.

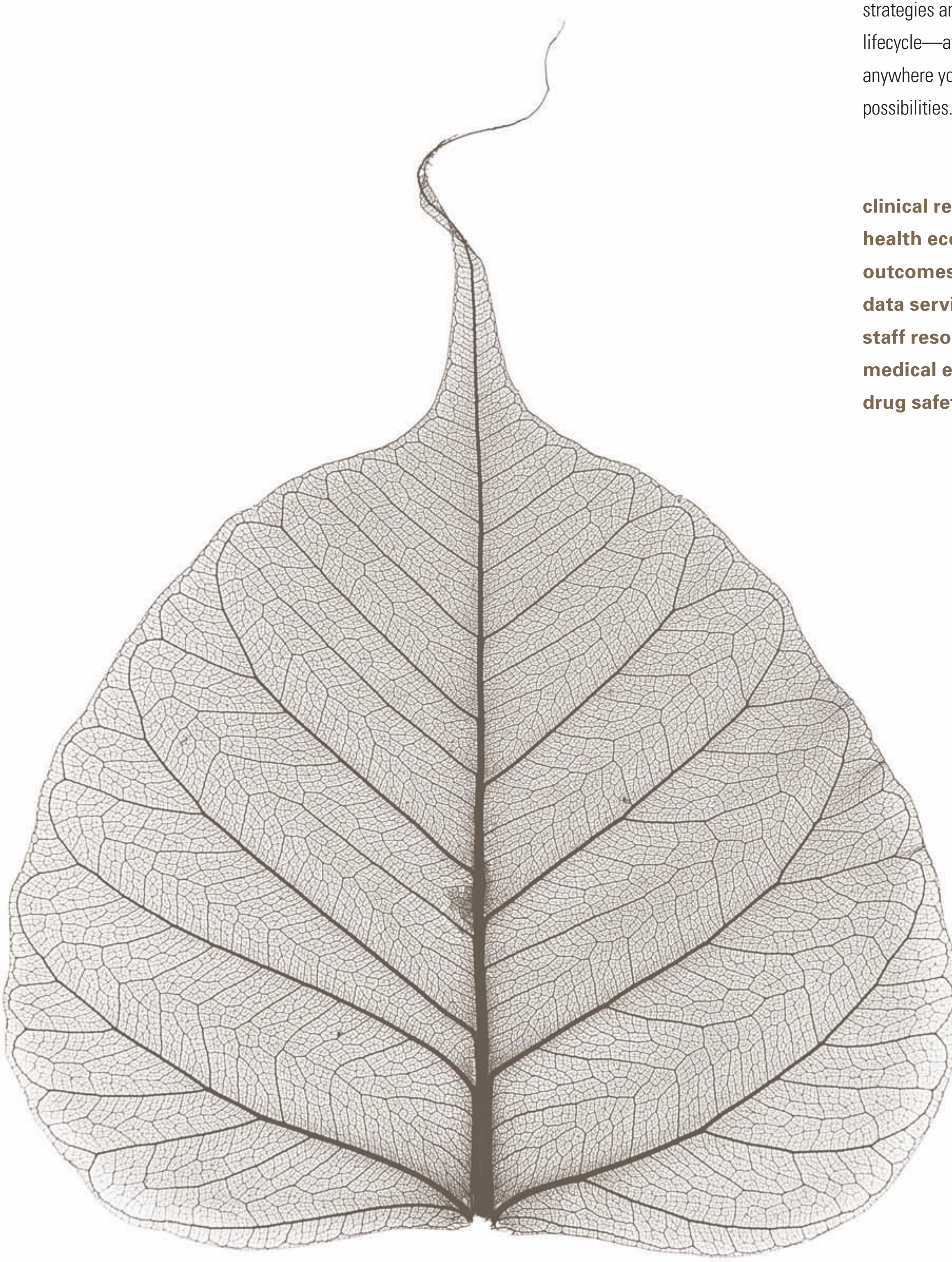
KEY AREAS OF OPPORTUNITY

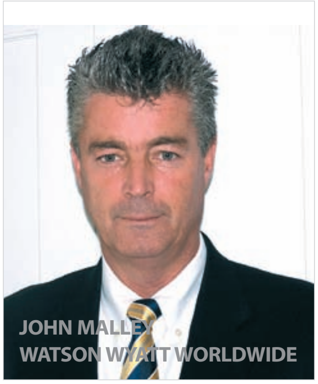
- **ESTABLISH** credibility by focusing interactions on employer needs and how manufacturers can assist them
- **PARTICIPATE** in regional coalitions to establish presence and trust
- **DEMONSTRATE** how a product affects clinical and functional outcomes
- **DEVELOP** educational materials on treatment protocols and appropriate use
- **PROVIDE** models that illustrate use, compliance, and clinical efficacy in product classes
- **DEVELOP** forums for stakeholders to address employer concerns and challenges
- **ILLUSTRATE** the cost-effectiveness of drugs compared with other treatments
- **DEMONSTRATE** the impact of treatment on employee productivity, a key area of focus for employers
- **PROVIDE** programs that are component-based and that can be customized to the employer's needs in disease states, including asthma, obesity, hypertension, depression, cancer, diabetes, musculoskeletal disorders, and chronic obstructive pulmonary disease
- **DEVELOP** educational programs and materials for new therapies that treat cancer, rheumatoid arthritis, and depression; approaches that affect emerging diseases among employees; and productivity and health and wellness programs, which promote compliance and encourage preventive care

KEY PAYER SEGMENTS

- Commercial managed care
- Medicare Part D
- Medicaid
- Long-term care
- Hospitals
- Specialty pharmacies
- Federal markets
- Employers

Source: Campbell Alliance, Raleigh, N.C. For more information, visit campbellalliance.com.





There should be a synergy between the pharmaceutical manufacturers and employers.

Progressive employers are partnering with healthcare plans and pharma companies around a disease state and on disease management programs.

eating, proper weight, physical activity, and seat belt and helmet use.

A survey of 573 large employers reveals that annual median increases for healthcare costs will remain at 8% in 2007. Further, employers expect cost increases to stay at 8% through 2008, according to an annual survey by Watson Wyatt Worldwide and the National Business Group on Health. Some employers are seeking to improve employee health by also providing easy access to healthcare. For example, 23% of employers surveyed have opened on-site clinics at some locations, and 14% have opened on-site pharmacies.

"In addition to managing their own health plans, some companies are involved with healthcare coalitions as well," says Tom Koenig, senior director, segment marketing, Endo Pharmaceuticals. "They are turning to the pharma industry for information about high-cost drivers, disease management programs, disease states, and even cost modeling and cost impact modeling."

THE DRUG BENEFIT

Employers are struggling with challenges around the cost impact of specialty drugs specifically, says John Malley, a senior consultant with Watson Wyatt Worldwide.

"The clients I work with are reviewing which products should go through a specialty pharmacy vendor and which should stay within the medical plan, and then they are trying to analyze what if any, are the cost savings," he says.

He says employers have been enjoying a seemingly declining trend for most prescription drug products because of the emergence of generics for many blockbuster brands.

"At the same time, the trend line for specialty drugs is going in the opposite direction," Mr. Malley says. "These specialty drugs are offsetting any cost savings experienced as a result of the emerging generic market."

In February 2007, The Coalition for a Competitive Pharmaceutical Market (CCPM) endorsed biogenerics legislation. The Coalition is an organization of large national employers, health plans, pharmacy benefit managers, chain pharmacies, and generic drug manufacturers.

At a Congressional hearing in March, Sid Banwart, VP of human services at Caterpillar, urged Congress and the FDA to encourage biogeneric competition. In 2006, Caterpillar's prescription drug costs were in excess of $151 million, accounting for more than 25% of its total healthcare spend. Biologics currently account for 2.9% of the total drugs used, but account for 12% in terms of spending. Mr. Banwart noted that biologic product costs have increased 45% since 2004 and said at the hearing that the trend is not sustainable.

According to the Watson Wyatt survey, 84% of employers are implementing three-tier prescription drug programs, while 52% are proposing carved-out specialty programs. Employers also are trying to increase the use of generic drugs through mandatory programs — 45% have a program in place or planned — while 19% offer or plan to offer over-the-counter pharmacy coverage.

These benefit structures appear to work for employers. A new study released in February 2007 reveals that patients are 58% more likely to switch to a more cost-effective prescription drug or a lower-cost pharmacy channel when assisted by an online comparison tool that allows them to shop for cost-saving opportunities provided by their prescription drug plan.

The analysis, conducted by Medco Health Solutions Inc., shows that patients are willing to price prescription drugs when presented with clear information on their clinical alternatives, channel options, and overall savings, which are critical member-engagement insights to successfully manage healthcare costs.

Medco's study of more than 55,000 users of medco.com showed that almost 14% of members had their prescriptions changed to a lower-cost alternative after using Medco's Savings Advisor tool, a 58% increase in conversion compared with the rigorously defined control group that did not access the online shopping tool. Results unearthed a critical finding: half of the total conversions initiated by members and approved by their physicians were from brand-name drugs to generic drugs.

AN EMPLOYER STRATEGY

Employers would resist a pharmaceutical company coming in and detailing them, Mr. Malley says.

"But if manufacturers came in to discuss the role prescription drugs play in the treatment of certain disease states and how compliance with certain prescription drug therapies helps reduce overall medical costs and productivity, I think they would listen," Mr. Malley says. "This information would have to be presented in way that doesn't promote a specific product but rather the relationship between the product's therapeutic class and the disease it treats."

Mr. Koenig suggests that pharmaceutical companies need to determine the level of employer engagement.

"Larger employers are not necessarily better resourced than smaller employers to enter into these types of engagements," he says. "Smaller employers may want to participate through a coalition, while some larger employers have the resources to do it themselves directly."

Employers who are actively engaged in their employees' healthcare, he says, often want to know about hospital costs, office visit costs, surgical costs, and productivity costs.

"I think it's important for pharma to help these companies understand about disease states so they receive a well-qualified understanding of all the costs and how they are associated with different disease states," Mr. Koenig says. "It's important to engage employers to see what their interest levels are in managing a particular category." ✦

PharmaVOICE welcomes comments about this article. E-mail us at feedback@pharmavoice.com.

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