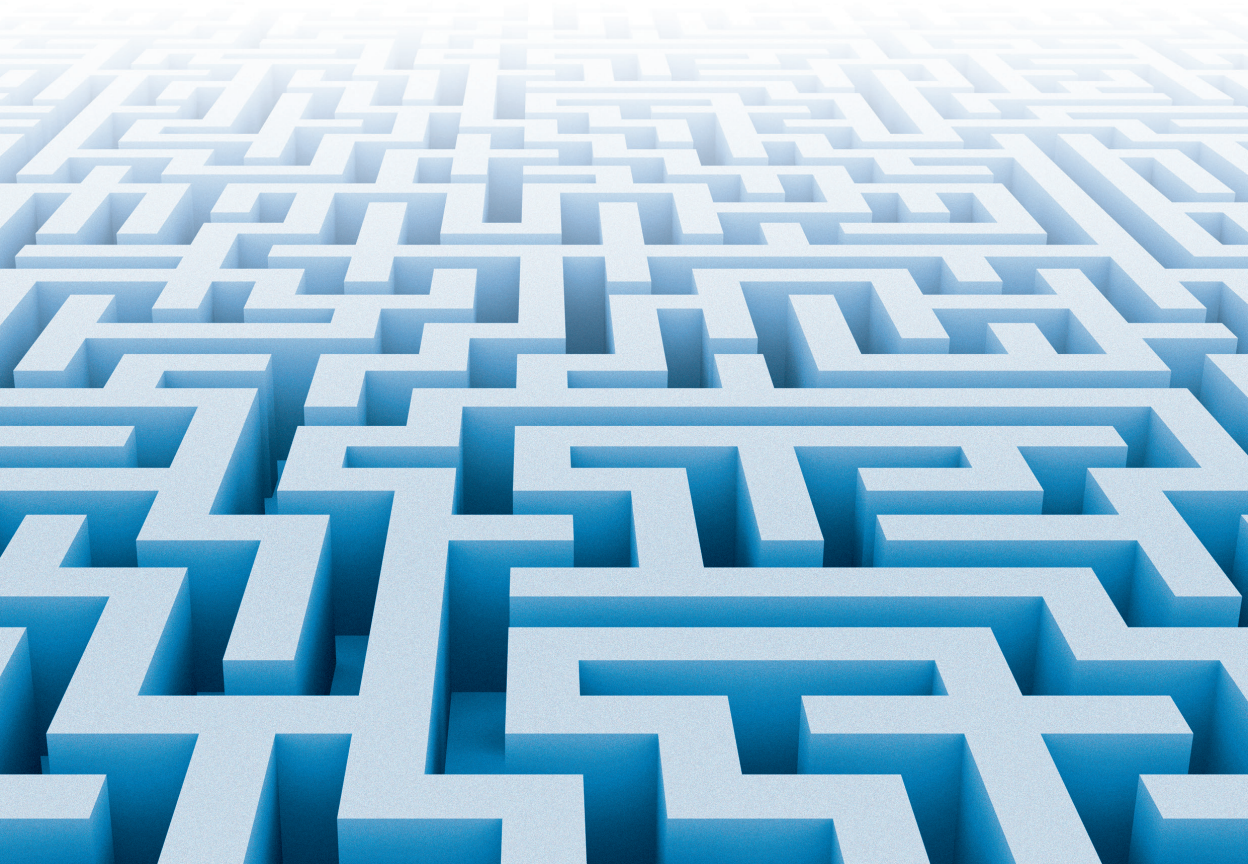
MMR
Innovative Solutions in a Complex Marketplace

Essentials of Managed Care

AN INDISPENSABLE RESOURCE FOR PHARMACEUTICAL SALES SUCCESS

Gary Branning, Rich Schaars and Martha Vater

Ninth Edition



CONTENTS

MANAGED CARE SELLING STRATEGIES

Objectives

- Recognize that healthcare is local and selling strategies should reflect each individual market
- Optimize your time spent in providers' offices by planning strategically
- Generate additional prescriptions by confidently addressing the "hassle factor"
- Respond effectively to additional challenges posed by organized providers as a result of their management structures
- Identify selling opportunities in the institutional, long term care, and retail pharmacy segments

Managed Markets Strategic Selling

The pharmaceuticals prescribed by healthcare providers may affect their reimbursement and the level of financial risk for the patient. As a sales representative, you should be familiar with the controlling dynamics that may influence physicians' prescribing decisions as well as the coverage of your products and competitive products. Prior to each sales call, review your sales reports and prepare to address questions that may concern that particular office. The various players in managed markets discussed in previous chapters, including pharmacy benefit managers (PBMs), accountable care organizations (ACOs), and government payers, will each affect physicians' prescribing habits differently. You should be prepared to execute a total office call that addresses the varied influences of managed care on your business.

TAKE NOTE

Blue Cross Blue Shield health plans are not part of one national account. Most are independent health plans operating within a state and some are owned by a larger corporation like Wellpoint.

Managed Markets is Local

Each state has an insurance commission that establishes standards and best practices, conducts peer reviews, and coordinates regulatory oversight. Although large health plans like United Healthcare, Aetna, and Cigna are often called "national" health plans, they operate at a state level in order to abide by regulations established by each state's insurance commission. Large national health plans may have a dominant national presence, but their influence varies state by state. Often, a smaller, regional plan will dominate a local geography even when competing against large national health plans.

For example, Blue Cross and Blue Shield of Alabama (BCBS AL) has a majority of the total health insurance enrollment in the state, while United Healthcare, Aetna, and Cigna have relatively low enrollment in Alabama. In this market, most of the healthcare providers you call on will most likely be part of the BCBS AL network.

In the state of New Jersey, on the other hand, there are four dominant health plans: Aetna, Horizon Blue Cross Blue Shield, United Healthcare,

TAKE NOTE

When a health plan is dominant in a particular geography, physicians in that area may be keenly aware of your product's coverage if the volume is high.

and Cigna. All four vie for membership within the state so the healthcare providers you call on in the New Jersey market may have joined several health plan networks. In other states like Pennsylvania, certain health plans may have established dominance in a particular region. Independence Blue Cross and Aetna, for example, are dominant in the Philadelphia market while Highmark Blue Cross Blue Shield and the University of Pittsburgh Medical Center (UPMC) are dominant in Pittsburgh.

As a sales representative, it will be important for you to identify the dominant health plans that influence the physicians you call on. The payer mix can significantly impact your product's formulary coverage, including copay amounts and restrictions.

The Hassle Factor

Healthcare providers seek to prescribe the most appropriate drug for each patient based on their own knowledge and previous clinical experience. In some cases, the physician's prescribing autonomy is limited by managed care organizations that place restrictions on certain products. Those restrictions are based upon the managed care organization's clinical evaluation of the drug and are designed to minimize the economic impact to the pharmacy budget. Restrictions implemented by managed care create a "hassle factor" for physicians who must now take additional steps to obtain a particular drug for their patient. When restrictions inhibit the physician's ability to prescribe the drug, often he or she will select an alternative product for all patients, even those whose access is not restricted. This is commonly known as "spillover." When coverage is good and "hassle free," physicians tend to prescribe more freely across all benefit plans.

If any of the physicians you call on expresses frustration with restrictions related to your product, which could include calls from the pharmacy, complaints from patients about high out of pocket costs, additional paperwork, and other concerns, you should ask questions to identify the specific issue. Engage the physician or select members of the office staff to find out:

- Which health plans have instituted a restriction and what is the restriction?
- Are the affected patients covered by commercial insurance or Medicare?

It is always important to qualify and quantify the information you receive. Once you have identified the specific restriction affecting this physician, you can deliver the appropriate messaging to alleviate the physician's concerns. Sometimes, physicians may perceive restrictions as insurmountable. For example, some physicians enter into capitation agreements with managed care that they believe restricts them from using certain products.

TAKE NOTE

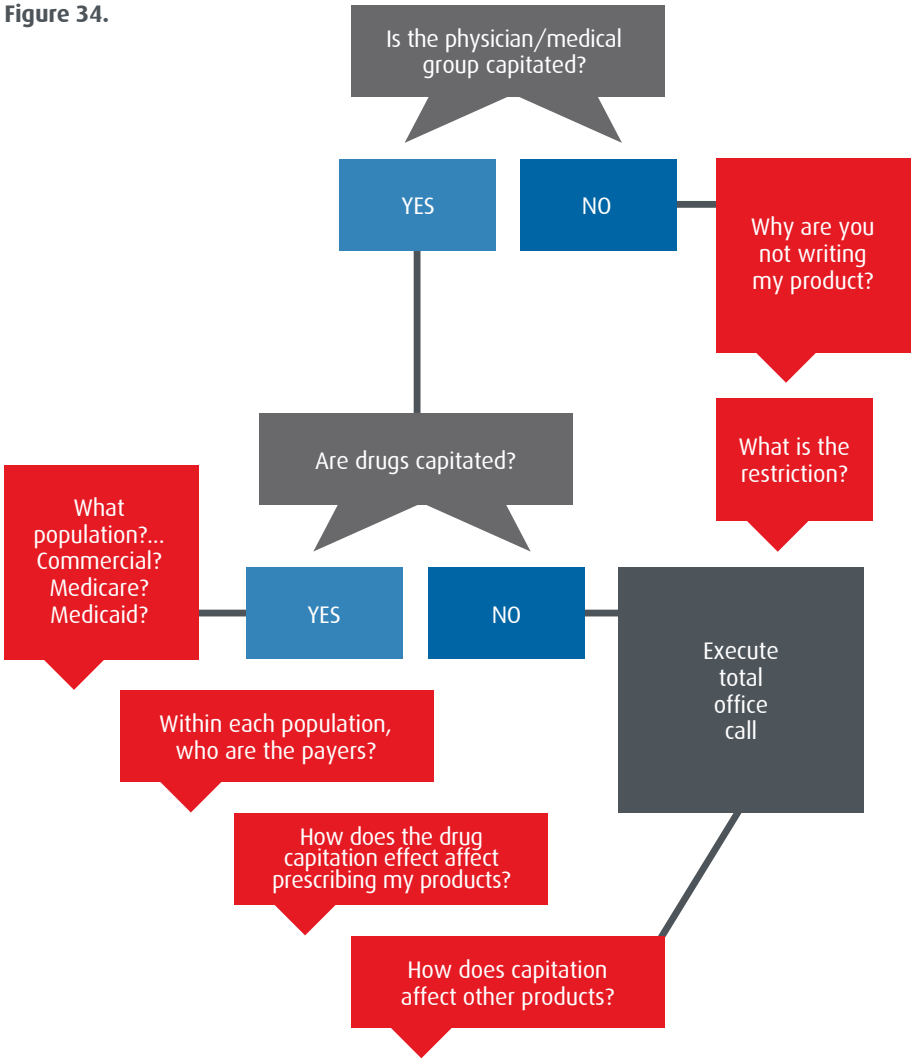
Quantity will help guide future discussions. The provider will have many patients with different benefit designs and the "hassle factor" may be associated with only a few patients.

Capitation

By definition, Capitation is an arrangement where a managed care organization pays a physician for defined services or a fixed amount of money per member per month (PMPM) in advance of delivery of healthcare services. A physician may indicate to you that his or her office is capitated and that your

drug cannot be written. In this situation, you should ask clarifying questions to fully understand what the physician means when he or she uses the term "capitated." The following example is a questioning process for capitation that may be used to uncover issues or concerns the physician may have.

Figure 34.



As you discuss capitation with the physician, keep in mind the following:

- Capitation does not necessarily affect drugs. If drugs are not incorporated in the capitation agreement, the physician can prescribe the drugs he or she chooses.
- If the capitation agreement does include drugs, it may only involve certain managed care organizations and a defined patient population. Unless the capitation agreement is with a dominant managed care organization, it will only affect a fraction of the physician's patients.

GLOSSARY OF TERMS

Managed Markets Acronyms

AAC	actual acquisition cost
AMCP	Academy of Managed Care Pharmacy
AMP	average manufacturer price
APC	ambulatory payment classification
ASC	Administrative Services Contract
ASC	ambulatory surgical center
ASO	Administrative Services Only
ASP	average sales price
AWP	average wholesale price
BP	best price
CAP (OR RxCAP)	Competitive Acquisition Program (for drugs and biologicals)
CARE	Comprehensive AIDS Resource Emergency
CBO	Congressional Budget Office
CDHC	consumer directed healthcare
CMP	competitive medical plan
CMS	Centers for Medicare & Medicaid Services
CPT	current procedural terminology
CRS	Congressional Research Service
DHHS	Department of Health and Human Services
DME	durable medical equipment
DoD	Department of Defense
DOJ	Department of Justice
DP	direct price

www.m2res.com
500 International Drive
Suite 355
Mt. Olive, NJ 07828
Phone: (973) 426 6500
info@m2res.com

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