



2016 AAP Annual Conference

Industry Update & Trends

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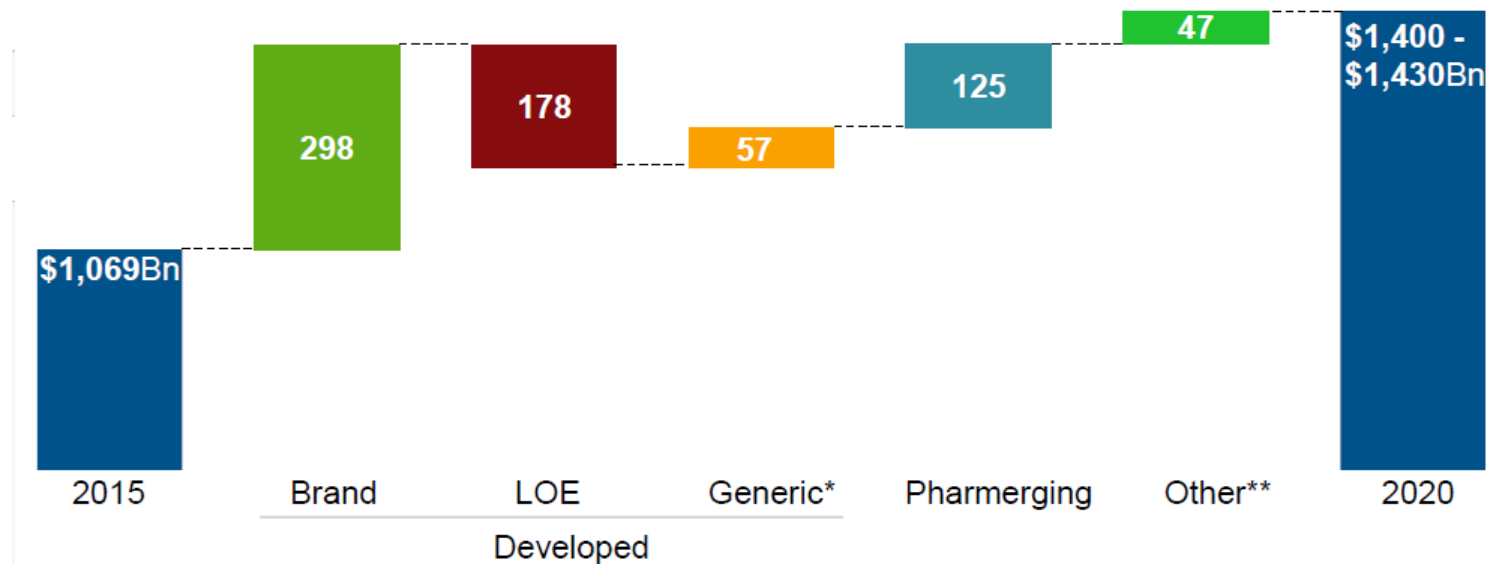
The Journey

- What We Know
- The Current Model – Managed Care
- The New Drivers
- Fundamentals of the Market
- New Models -- Population Health
- Value Chain – Pharmacist Involvement
- Payment – Value
- Outcomes



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Drivers of Spending Growth 2015-2020 US-\$Bn



Source: IMS Health, Market Prognosis, September 2015; IMS Institute for Healthcare Informatics, October 2015

Note: Growth is shown in constant US\$ with an exchange rate adjustment in the Other category as the aggregate difference between constant and forecast exchange rates. Brands lower spending due to loss of exclusivity (LOE) is shown for developed markets only. Brand spending in 2020 will be \$120Bn greater than 2015 including \$298Bn of growth and offset by \$178Bn of LOE. Spending is shown at list and invoice price levels and does not reflect off-invoice discounts and rebates.

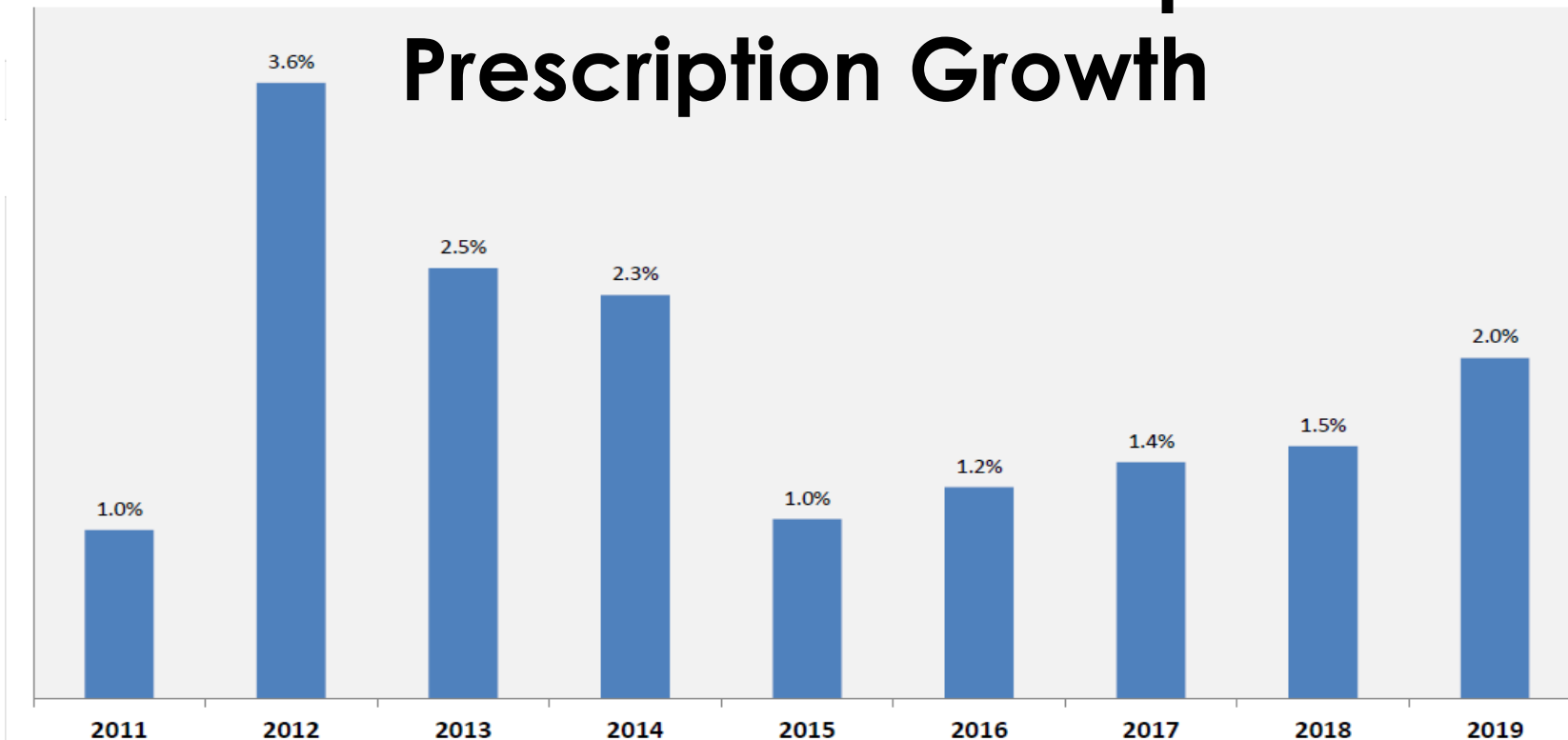
* Generic in developed markets includes Generics +\$24Bn, Non-original Brands +\$23Bn, OTC +\$10Bn.

** Other includes Rest of World +\$21Bn and exchange rate effects +\$26Bn.



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Historic and Forecast Dispensed Prescription Growth



Source: IMS Health, Market Prognosis, September 2015; IMS Institute for Healthcare Informatics, October 2015

Historical Rx growth has been between 1% and 3.5%, (it was much lower during the economic crisis) and is expected to be between 2% and 3% through 2018

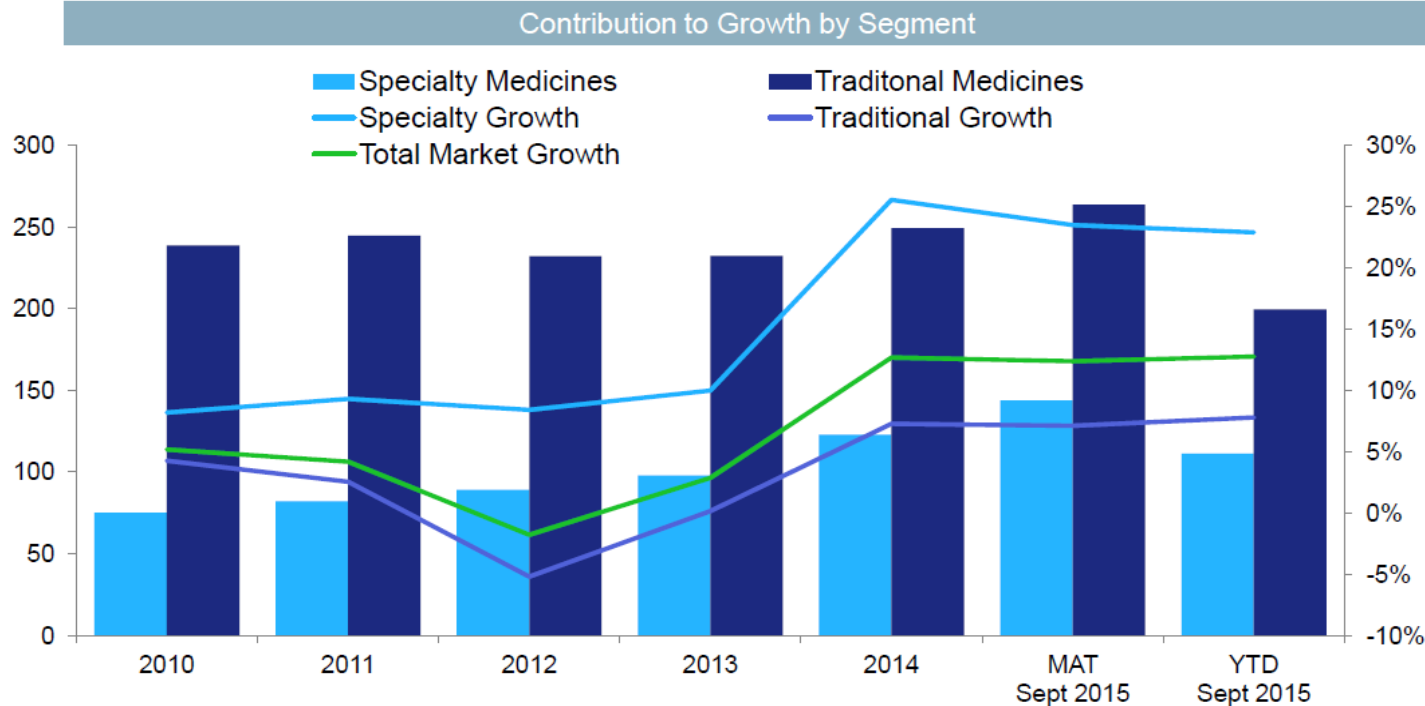
Empowering Independent Pharmacies





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Specialty Sales Growth Outpaces That of Traditional Medicines



Specialty growth rate is 23% compared to traditional growth at 8% YTD

Source: IMS Health, National Sales Perspectives, Sept 2015

Empowering Independent Pharmacies





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Principles of Managed Care: Historical

- Rate Setting for Specific Healthcare Services
- Fees Set According to a Sliding Scale Ability to Pay
- Owners Pay for Healthcare for Slaves
- Objective Outcome Measurement Standards to Assure Quality of Care
- Outcomes Information Management to Include Data Collection and Evaluation
- Consumer and Patient's Rights Publicized, Explained and Made Known

Codex Hammurabi, 1700 BC



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Current Movements

- Health Care Delivery and Financing
- Population Health Management
- Pharmaceutical Marketplace
- Data and Technology
- Pharmacy Workforce
- Patient Empowerment
- Ethics

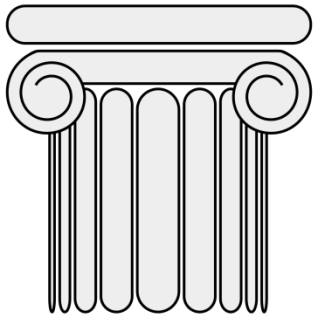
Ref: Future Trends Affecting Pharmacy Practice, Fred M. Eckel, Pharmacy Times, February 2016, page 16



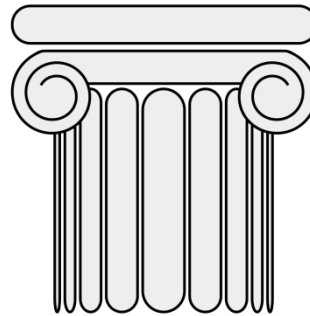
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4 Pillars of Primary Care

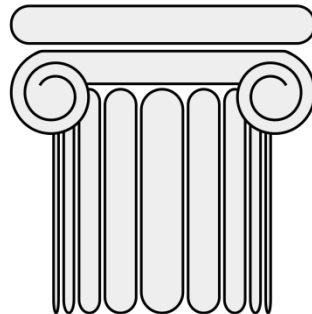
**First
Contact**



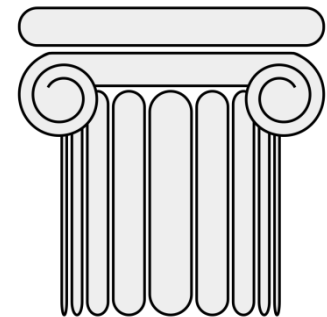
Comprehensiveness



Continuity



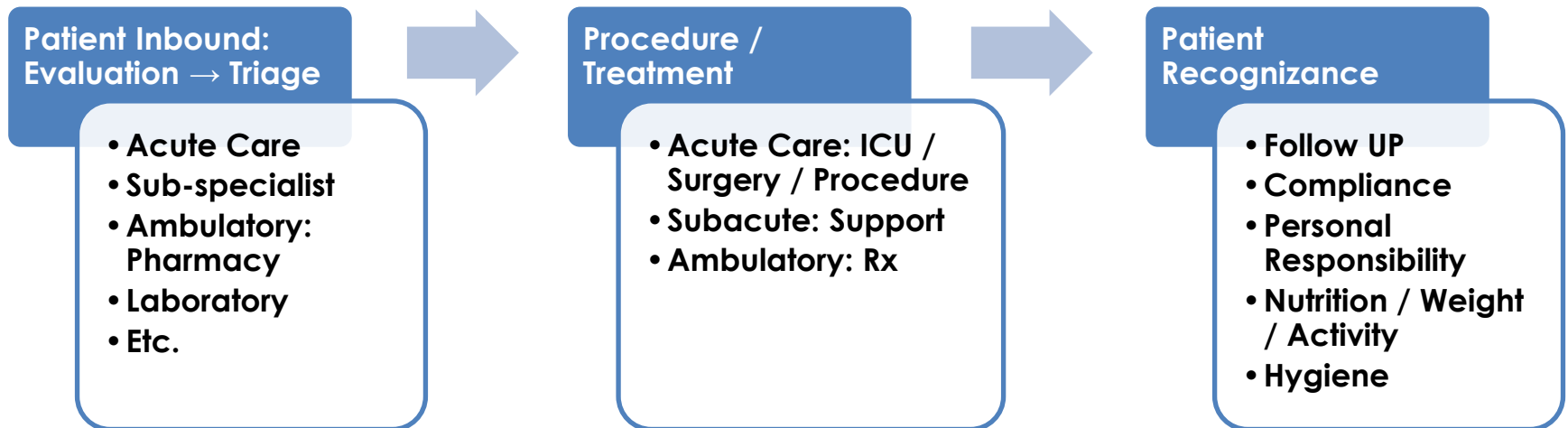
Coordination





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Traditional SILO Model: Site of Care Centered





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Predictions Based on Market Influencers

Volume to **Value** →

No Value, No Money

- **Transparency** in all elements of care including cost
- Regulatory **experiments** in quality and reimbursement
- All risk, **capitated** payment

Patient → **Price sensitive consumer**

- **Comparative quality** assessments
- **International market forces**
- **Ethics / Character**



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Drivers of Change

Volume Transition

- Fee-for-Service
- Asymmetric Knowledge of Service Requirements & Pricing
- Drug Mix Moving to Expensive Specialty Medication Options
- Cost Shifting to Members/Subscribers

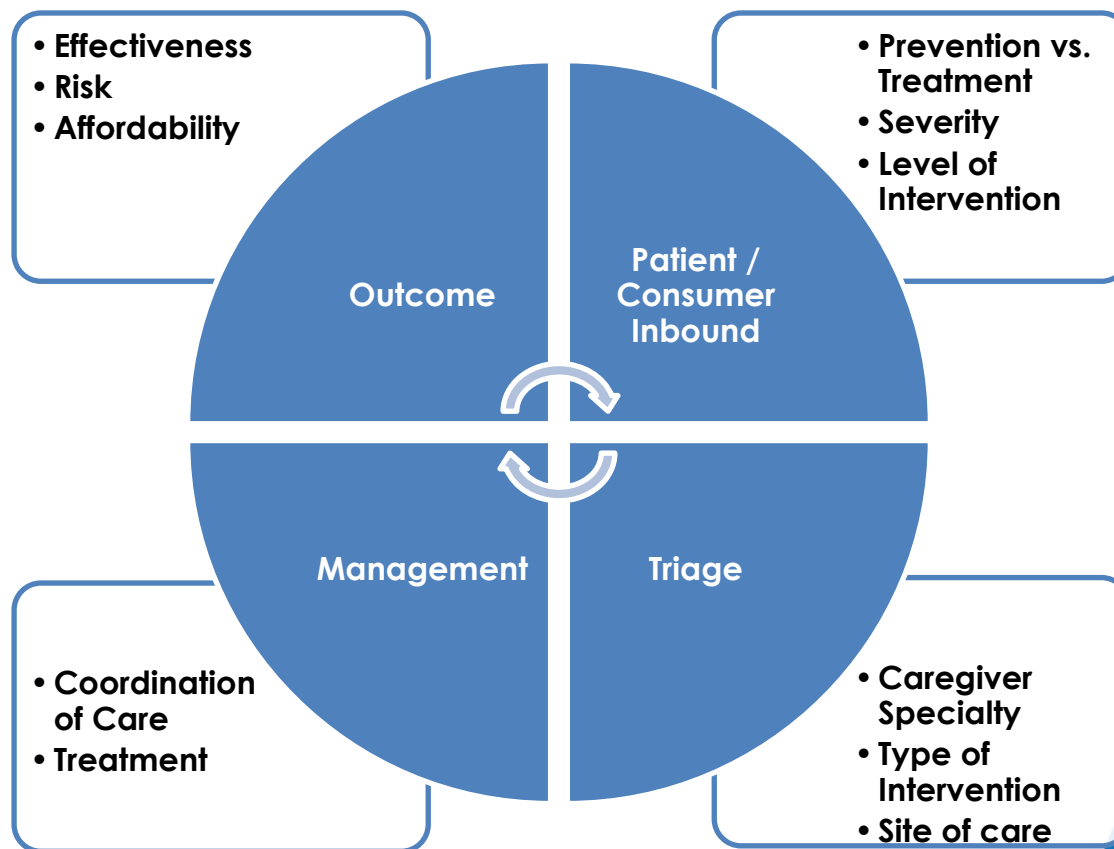
To... VALUE

- Capitation
- Transparency
- Consolidation of Plans, PBMs, Providers
- Restricted Choice – Provider Panels, Pharmacy Networks
- Expertise Emphasis on Clinical Outcomes Production



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Patient and Consumer Centered Model





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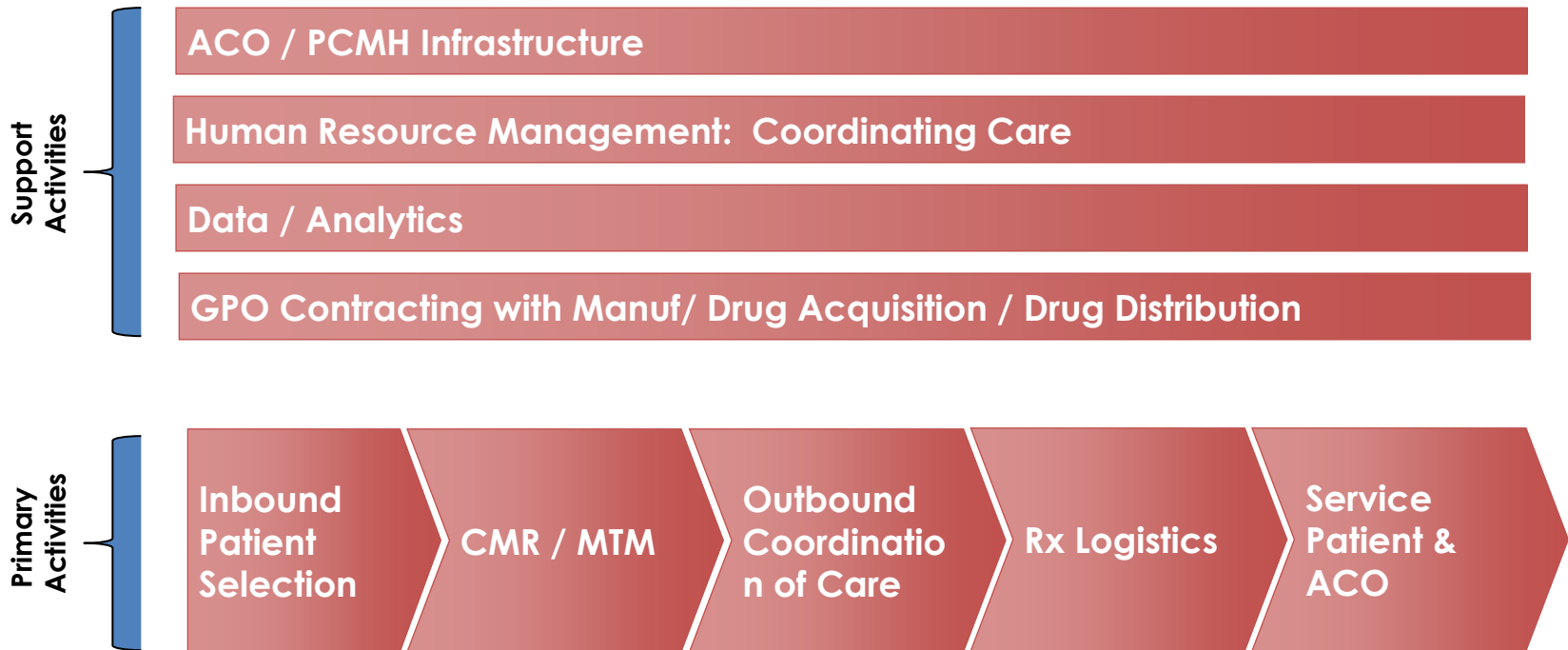
Model Shift: Managed Care to Population Health

- ❑ Technology enablement for placing patient at the center of the care paradigm
- ❑ ACOs , Medical Homes and the role of pharmacists
- ❑ PBM to PBA?
- ❑ Outcomes measurement and the role of data analytics



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Value Chain: Pharmacist Integration into Care Coordination





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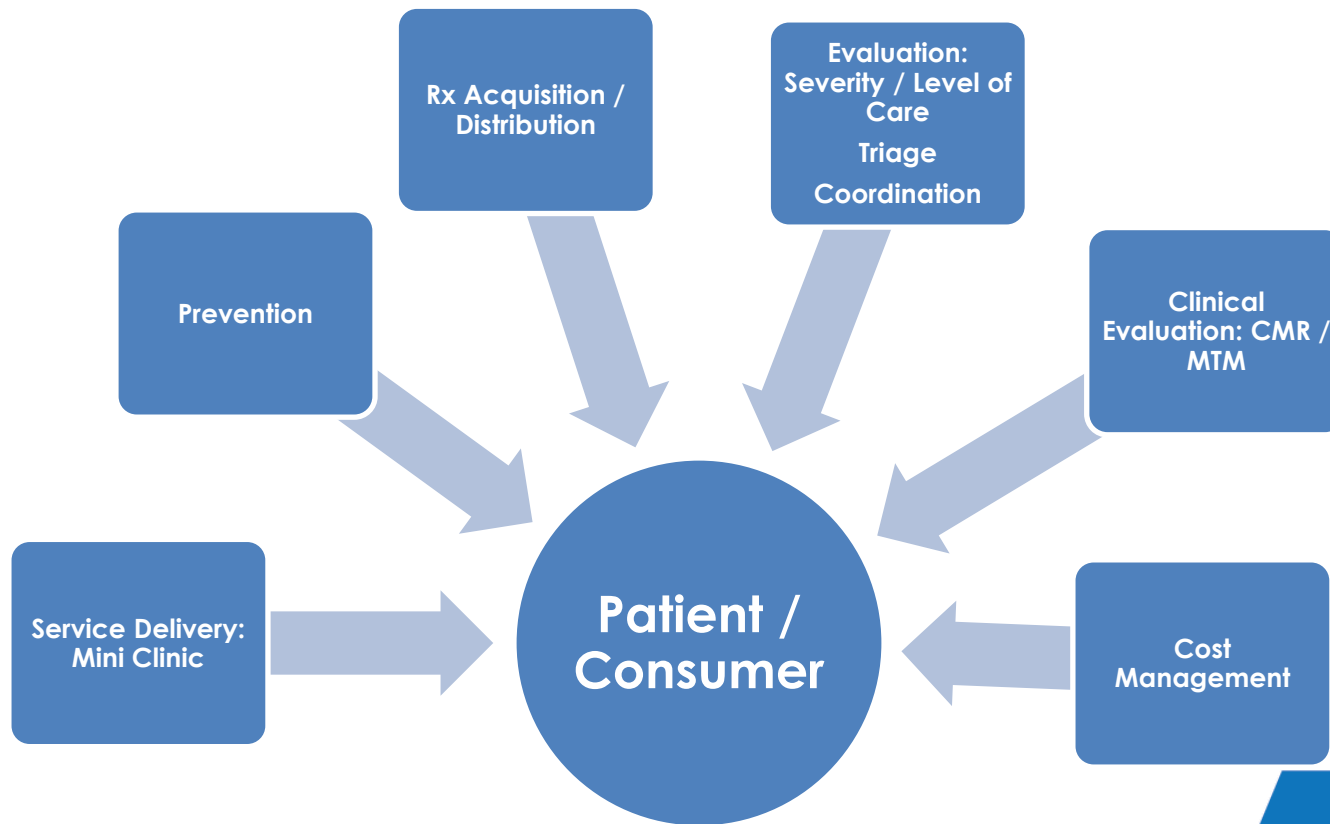
Pharmacist as Providers

- Physician Extenders
- Subspecialty Expertise
- Value Chain – Providers, Data Analyzers, Administrative Support and Oversight of Medication Therapy



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Pharmacist Service Integration





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Payment Models

- Capitation – ACA, Medicare/Medicaid
- Best-in-Class / Centers of Excellence
- Risk Assumption – Health Plans (insurers), Patients, Providers, State/Federal Government



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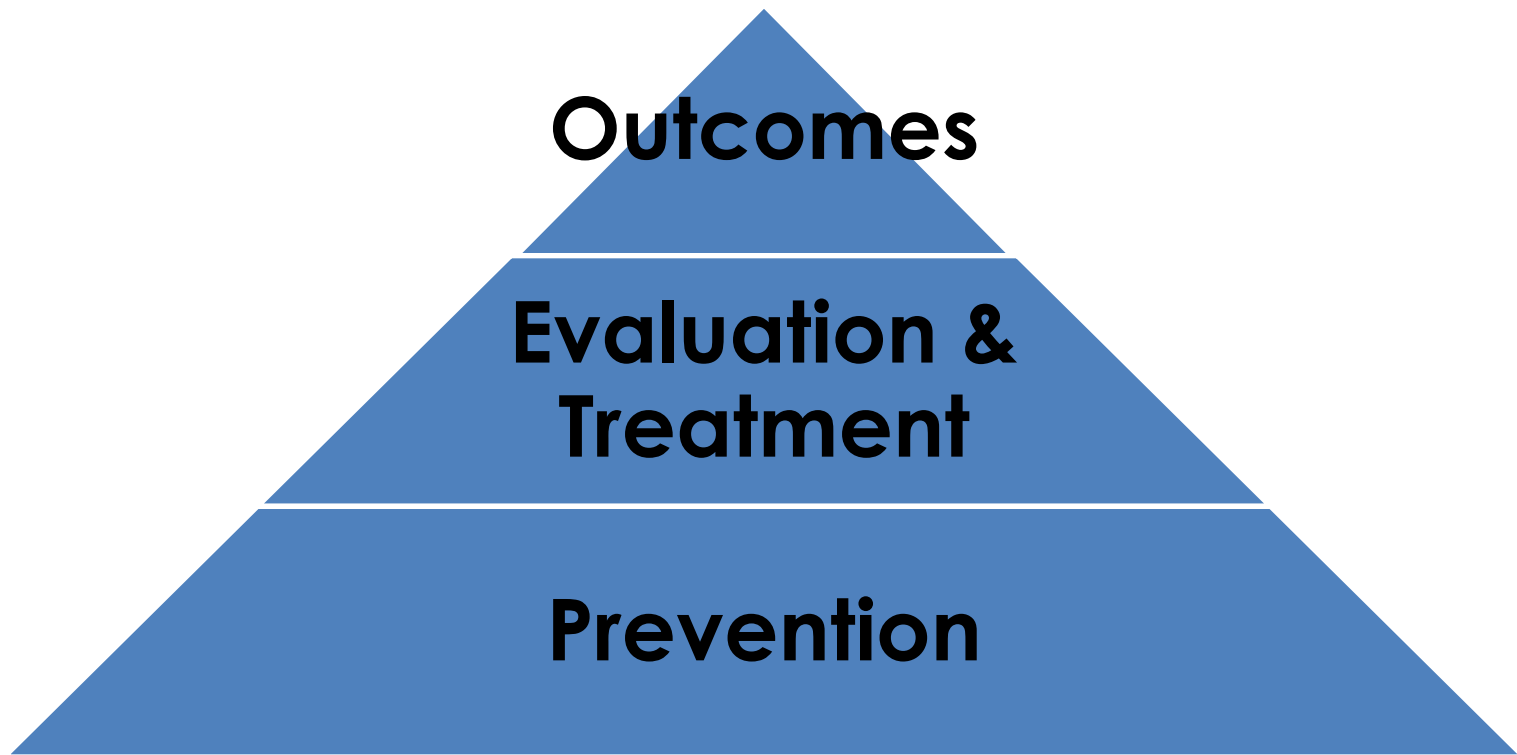
Value-Based Objectives

- Maximal Therapeutic Benefit
- Minimum Acceptable Risk
- Affordable Cost



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Value Based Payment





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Key Forces Defining the Future

Political

Transparency
Information Sharing
Team Based ACO / PCMH
Oversight by Data Analytics

Economic

Value → Payment
Cost Plus
Supermarket of prices
Peer-to-Peer Comparisons
International Competition
Behavior Modification of Providers

Social

Patient Focused
Price Sensitive Consumer
International Communication
Patient Advocacy Groups
Targeting / Profiling by Data Analytics

Technological

New treatments + diagnostics
Management by Data Analytics
Cheap Communication
Free exchange of information
Superhighway / Supermarkets



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