

Pharmacy Benefit News

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How Patient Desires Drive Marketing Realities for the Future

Drug Store News published a "Future Reality" article concerning the trends defining the retail pharmacy channel in 2017. We are dividing the issues and predictions into two discussions: namely, Marketing Issues and Retail Business Channel Changes to capture their comments and perspectives.

Marketing Issues:

1. Affordability – Expect a clinical expansion of clinical services in the community pharmacy. Also expect more partnerships between retail pharmacy, hospitals, health systems, and PBM-to-PBM relationships (e.g., CVS and OptumRx's partnership). All of this will be based on digitizing information to expand access and lowering the cost of care to capture
2. Virtual Reality (VR) – With VR the experience outweighs communication. There are multiple examples:
 1. GSK Consumer Healthcare created a migraine immersion experience
 2. Lowes is testing service robots in the store aisles
 3. Lowes is piloting Microsoft HoloLens technology in a special Holo-room for customers to visualize do-it-yourself projects
3. Health Marries Beauty – The future of beauty is health. Non-cosmetic beauty will be driven by brands that communicate a definitive health benefit. Watch for medi-derm therapeutic skin care products.
4. Healthy Foods – The prediction for 2016-2020 is that up to 50% of innovations will include a FLOH component (fresh, local, organic, natural and/or healthy). Retailers will use data to target local store demands.
5. Cures Act (New medications, new indications, new devices) – due to the CURES Act, the FDA will accelerate new approvals for medications and potentially lower thresholds for risk.

Source:
DrugStoreNews, January 2017

Comments:

Affordability is clearly the most important factor. Customer desires may substitute retail foods, beauty aids, and the virtual experience for some common therapies. The real challenge will be to find affordable options to discretionary health care purchases versus prescriptive options. The bulk of therapeutic lifestyle (e.g., weight loss, healthy diets, exercise, and preventive care) can be placed in this bucket. The prescriptive options are another matter, to be addressed separately.

Analytics at Work: A Real World Example

"Med" V "Pharm"

Problem: One of our clients was concerned about comparing the medical versus the pharmacy specialty spend. Their primary concerns were the location of service and applicable costs, as well as the overall gross trend of their per-member-per-month (PMPM) trends. Separately, the clinical group within the organization wanted to know if their clinical cost control methods were effective on a total Plan as well as on a per-provider basis.

Solution: Pro Data Analytics, in cooperation with Pro Pharma Consultants, analyzed every specialty medication claim from both medical and pharmacy for this client each month. All findings were filtered by location of service, PMPM, provider specialty, disease/condition, provider, etc. The analyses reported overall performance and compliance with a series of outliers – e.g., unmatched diagnoses, medications without applicable genomic testing, dosage within labeled min/max ranges, quantities within expected usage, pricing vs. lowest cost, pricing in compliance with contracts, rebates, value of wastage, etc.

For the clinical group, all claims were analyzed for prior authorizations (PAs) for formulary exclusions, efficiency of prior authorizations and step therapy, adherence by drug and by category, etc.

Outcomes: Pro Pharma identified financial savings for our client on average of 42-44% of paid amounts. Clinical analyses identified beginning compliance of 50% and cost control methods, including PAs at 60% efficiency. After the implementation of the model, the compliance increased above 80% and clinical cost control efficiency was above 70%.

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Patient Desires Drive Retail Business Changes

The change in customer wants will surely impact the marketing and delivery of health care. Some predictions are:

1. Purpose Matters - a survey by Echo Research identified that 87% of customers factor social responsibility, sustainability and authenticity into purchase decisions. Corporate social responsibility (CSR) is about being "green", but also about being committed to social service in every product.
2. Retail as an Experience -- A Harris Poll found that 72% of millennials prefer to spend on experience over products. The new model is "retail-tainment". The trend will be driven by beauty areas offering virtual, private, digital browsing of products.
3. Omni-channel to Uni-channel – Expect instore and online to be merged. The challenge for retailers is to think about "points of influence and points of fulfillment". An example is that 45% of retailers (Kanter Retail) are committed to push for in-store pickup of online purchases.
4. Retailers go "small" – Both Amazon and Walmart have built advanced shopping stores that use technology for the shopping experience and mobile payment models. Starbucks already has 21% of all payments as mobile. Health and beauty are obvious targets.
5. Instant gratification – The "I want it now" mentality is taking over. 7-Eleven and Amazon deliver products by drone. Dash buttons, Amazon's Alexa, Google Assistant

Drug Spending - A Commentary

Invoice price drug spending growth was high in 2014-2015 at 12%. (QuintilesIMS Institute for Healthcare Informatics) In 2016 the growth fell to 6% to 7%. The 2016 experience is expected to continue to 2021 at 6% to 9%. Why? The decrease was due to a decrease in new Hepatitis C medications that represented 3% of spending growth in 2015. Also, there was less patent expiration than what was seen in 2014-2015.

Patent expirations may have a larger impact on drug spending in the future. According to QuintilesIMS Institute there was \$91.1 billion in fewer brand sales from 2012 through 2016. However, the number of brand expirations is predicted to grow to \$143.5 billion between 2017 and 2021. For example, EP Vantage (part of Evaluate) predicts that the following medications will lose patent protection in 2017:

1. Cialis – 16% of Eli Lilly's US sales
2. Branded Sildenafil Citrate – 6% of Pfizer's US sales
3. Velcade – 24% of Takeda's US sales
4. Alimta – 12% of Lilly's US sales
5. Prezista – 6% of J&J US sales

All of the surveys above include the impact of biosimilars. Concurrently, the FDA is approving fewer new medical entities (NMEs) than in 2015. However, new innovations is a speeding train that was accelerated by new funding for research and development in the Cure's Act. As a result, the "cancer

assistance options for purchasing. Also, the “uberization” of shipping and delivery. CVS is already testing same-day delivery.

Source: DrugStoreNews, January 2017

Comments:

Technology can make the pharmacy experience fun. Data analytics can target the experience to the market place.

Technology can also speed up the delivery function. Yet, health care is international and so is research, development and marketing of medications both over-the-counter (OTC) and prescription medications. This internationalization can lead to new ideas, technology, and marketing testing sites that will further drive retailers to go “small”. These retail fundamentals should drive health care delivery for the foreseeable future.

counter balance to the drug spend decreases expected up to 2021.



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Biotech Modeling™

Map Your Current Biotech Utilization and Spend

Pro Pharma utilizes both the Medical and Pharmacy paid claims to analyze previous claims experience and to develop a model to project future trends. These issues center on the need for drug specific claims information, processing rules to ensure accurate quantities and maximum payment amounts, and rules for processing miscellaneous claims. The model can be updated with enhancements expeditiously given new Medical and Pharmacy claims experience.

Pro Pharma can identify immediate savings opportunities through e-modeling of claims processing procedures, and longer-term savings through technology assessment and utilization management.

Additional research and analyses can be performed to determine the biotechnology drug driven costs in procedures, diagnostics, and provider time. It is expected that these adjunctive costs will

experience a downward trend.

The cost of the biotechnology drug segment is increasing nationally at 17% per annum. There are currently over 100 biotechnology drugs on the market. These medications are manufactured from living organisms that produce genetically modified molecules or genetic variations of naturally occurring molecules.

We are able to:

- *Map your current Biotech utilization and spend*
- *Project Biotech trend*
- *Model Biotech utilization by drug category or any other drug grouping (client specific)*
- *Identify cost by ICD9, CPT HCPC code*

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