PRO PHARMA
PHARMACEUTICAL CONSULTANTS, INC.

Pharmacy Benefit News

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COMMENTARY | RETAIL HEALTHCARE IS DRIVING MORE THAN LOWER COSTS

Walmart's latest entry into the retail healthcare market is providing a more expansive set of options for consumers to obtain more than prescription drugs, vaccinations, and visits for common conditions. Walmart is offering primary care, labs, X-ray, EKG, counseling, dental, optical, audiology, and community health education. CVS plans to compete across the US by 2021. All of the competitors (CVS, Walgreens, Walmart, Urgent Care Centers, etc.) are expected to attack the approximately 75% of healthcare spend driven by chronic disease. Key success factors will be access, grouping services under one roof, and low cost.

The target market for the retail healthcare sector is cost below copays and deductibles, as well as the estimated 25 million people without healthcare insurance. Specialized care clinics already exist for Lasik surgery, prescription eyeglasses, cosmetic surgery, fertility treatments, and vasectomies. Costs for these services and treatments are provided in a competitive market that can offer low transparent prices, financing, and competition for primary medical practice.

While the retail healthcare marketplace is providing the competition and price transparency that politicians are arguing over, they are also driving another shift.

A few years ago a physician in Wyoming complained to me that for years he had an "easy" practice in that 80% of the practice was to treat common conditions, while for 20% he treated serious conditions; however, now his practice was reversed and 80% were for serious conditions, while 20% "he could do in his sleep".

Essentially, the retail healthcare market was picking up his 80% of easily treatable conditions. What was the result? An estimated 80% of physician practices were purchased by hospitals, insurance companies, and other healthcare organizations who specialize in acute care and services to treat serious medical conditions. The result of retail specialization was that providers, hospitals and payers found their businesses converging.
Hence, the entire healthcare sector is changing faster than the politicians can act. Add technology, personal healthcare apps, digital clothing, and other customized monitoring services, and the healthcare system moves to prevention and triaging care. Transparent cost is the byproduct of all this change, and hopefully improves the quality of care. Expect healthcare insurance coverage and rates to change as well.

ANALYTICS AT WORK | Pre-Certification of Specialty Medication

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.

Methodology: Pro Pharma analyzed every specialty medication claim from both medical and pharmacy data 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.

Outcome: Financial savings for our client were identified 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 new process, the compliance increased above 80% and clinical cost control efficiency was above 70%.

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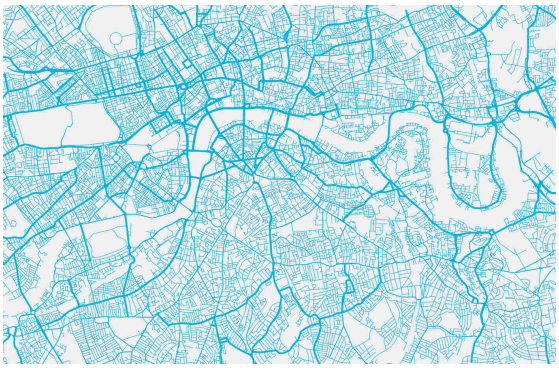

COMMENTARY | IF UNIVERSAL HEALTHCARE IS SO EXPENSIVE, THEN WHY IS IT THAT SO MANY OTHER COUNTRIES CAN AFFORD IT?

The US is in a debate over “Medicare for All”, i.e., universal healthcare, versus the advancement of the ability of Americans to have free choice of the provider that they want and can afford. The major argument against universal healthcare is the cost. Healthcare spend is at 18% of the total US economy versus about 9% in all other sectors. The Affordable Care Act (ACA) has provided lower overall costs, better access, and insurance for approximately an additional 20 million Americans. Yet, it was enacted under a Democratic administration, so politics is driving a good deal of the opposition.

Yet, if cost is the problem with the ACA and other options, then how are other countries affording universal health care? Clearly, cost is an issue, but other countries have made the decision that healthcare is a right, so it is a function of government to provide. As we discuss in the prior commentary, the marketplace and technology are providing options to lower cost, but they don’t cover all of the consequences of serious medical problems. As a result, healthcare coverage must be addressed using a mixed methodology.

The first issue is whether healthcare is a right or a privilege? Then separate from that fundamental issue, is the cost of universal health care. What the debate over universal healthcare does not address is how other countries afford it. The answer is that most countries provide almost or all universal healthcare through several programs, and not one government sponsored program.

Germany, Switzerland, and the Netherlands have programs like the ACA. They mandate that all households purchase healthcare insurance, similar to the guaranteed issue of the ACA, through profit or non-profit (not government)

Exchanges.

England has a healthcare system that is similar to the Veterans Administration in the US. Providers and hospitals form one master organization that is financed by the federal government. This is different from Canada where about two-thirds of all families buy insurance to cover additional benefits, 50% of Australians buy additional benefits as do 40% of Danish families. In Germany 10% of families opt out of the federal program subsidies and buy private insurance. This is similar to Medicare in the US where people buy Medicare gap insurance to cover unsubsidized benefits. To take this a step further in Germany, France and Japan they have payroll deductions to pay for nonprofit insurers who must cover everyone.

Healthcare is expensive across the world and specialty medications, genomic laboratory testing, and new services are making the healthcare even more expensive. But the international experience is that one size does not fit all. When the people want healthcare, they find a way to get it.

(Commonwealth Fund, May 2017; LA Times 2/8/19 C4 and 10/4/19, A11)

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COMMENTARY | RETAIL PHARMACY EXPERIMENTS WITH DIALYSIS

If the discussion above of retail healthcare is not enough then witness the move of CVS Health Corp into both peritoneal and clinic based hemodialysis. CVS Health has financed a new device developed by Deka Research & Development.

that the current administration wants to move dialysis into the home to save money. The current leaders in the dialysis market are DaVita and Fresenius (a German company) who also have home-based products. The market is not inconsequential in that end-stage renal disease accounts for about 7% of Medicare spend.

As already indicated the treatment of chronic disease accounts for about 75% of healthcare spend. If dialysis can be moved to a home-care site instead of clinic sites, then location of service is expected to lower health care costs. This is the "drip, drip, drip" of shedding cost. Price transparency is one example where consumer information will drive more informed purchasing. The movement of location of service is another example where costs fall due to removing payment for expensive sites of care. Expect technology to add a third example where patients and general consumers can deliver monitoring data and work on preventative techniques to further lower cost by transferring services to home and mobile sites as opposed to clinics.

The HemoCare machine is in clinical trial for FDA approval. The expectation is for release in 2021.

WSJ, 7/18/19

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Pro Pharma is a woman owned healthcare analytics and consulting firm. Established in 1986, Pro Pharma's services are built on a foundation of data analytics, which are then communicated to the client which provide results and recommendations.

Pro Pharma provides customized support to Health Plans, Self-Insured Employers, Physician Groups, and Workers' Compensation Companies, among others, both in the private and public sectors.

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