Benchmarking New Frontiers in Managed Care Pharmacy

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In 2006, the Foundation for Managed Care Pharmacy—a nonprofit charitable trust affiliated with the Academy of Managed Care Pharmacy—sponsored a survey that was conducted by The HSM Group, a national healthcare market research and consulting firm, and supported by an unrestricted grant from Merck & Co. The survey was repeated in 2007 and was designed to track the evolution of new healthcare trends, gauge the role of managed care pharmacy experts in these trends and the initiatives evolving from them, and disseminate that information to the various stakeholders of the industry. The authors examine the responses of 186 respondents from 71 national health plans, 54 pharmacy benefit management companies, as well as several hospitals, health systems, physician groups, or pharmacies. Survey findings highlight emerging trends in healthcare today and provide insight into the role of managed care pharmacy experts in today’s healthcare environment, as well as other variables that may affect the future of the US healthcare delivery system.

In 2006 and 2007, the Foundation of Managed Care Pharmacy (FMCP) sponsored a survey of pharmacy, clinical, and business managed care leaders that was supported by an unrestricted grant from Merck & Co and was conducted by The HSM Group, a national healthcare market research and consulting firm. The goal of the survey was to obtain insights from managed care pharmacy leaders in decision-making roles or those who had informed opinions related to managed care activities about their use of health information technology (e-HIT and e-prescribing), consumer-driven healthcare (CDH) programs, a variety of pay-for-performance (P4P) initiatives, and disease management efforts. Trends hitting leaders’ radar screens were also queried. Some 2448 managed care pharmacy experts were invited to complete an Internet survey, which was fielded over 6 weeks, ending in mid-September 2007. A total of 186 respondents completed the survey (Table).

In addition to tracking the evolution of health trends, the survey was aimed at identifying emerging trends and examining the pharmacy experts’ roles in these evolving initiatives, while also providing them with useful educational tools. In the second year of the survey, trends clearly began to emerge as respondents reported greater concern for value through increased collaboration, a greater focus on improved patient outcomes, and a continuation of the emphasis on cost.

Shift from Cost to Quality and Cost

In the first year of the survey, the issue identified as of greatest concern was cost reduction. The most prominent theme to emerge in the second year of the survey was value—that is, concerns about costs and efforts aimed at reducing costs revolved around maintaining and improving quality of care. Cost and quality were combined, especially with regard to disease management and in the use of generic drugs; the use of generic drugs was no longer viewed mainly from the perspective of cost but also from a quality-of-care objective. The most critical themes to emerge in 2007 were:

- Disease management initiatives
- Medicare medication therapy management
- Electronic (e-) prescribing

Many organizations are concentrating on improved
point-of-care information and efficiency in their e-HIT initiatives. Whereas in 2006 organizations measured the success of their e-HIT programs in a process-oriented manner, in 2007 they began concentrating more on outcomes. The increase in generic utilization and the importance of compliance with their formularies altered the way they interpreted the success of e-HIT programs.

As many as 3 times more disease/utilization management programs were anticipated in 2007 compared with 2006. Nearly 60% of respondents have now established electronic billing. Provider electronic payment almost doubled in 2007, despite inherent difficulties with the system.

Collaboration

Another important emerging theme involves expanding collaboration among healthcare professionals and employers in healthcare decision-making. Collaboration in 2006 was mainly done with hospitals and physician groups. In 2007, increased collaboration was evident among associations, business coalitions, and pharmacy benefit management (PBM) groups (Figure 1).

Approximately 50% of the organizations are now collaborating on disease management and e-prescribing, representing a continued broadening of collaborative efforts since 2006.

e-Prescribing

In 2007, twice as many organizations had plans in place for e-prescribing compared with 2006. In addition, in 2007 almost 40% of health organizations were actively involved in instituting e-prescribing programs, or were in the process of investing in technology to support e-prescribing, compared with about 30% in 2006. Nearly 60% of respondents expect their e-prescribing programs to be in place by the end of 2008.

The primary objectives for e-prescribing in 2007 remained similar to those identified in 2006. These include:

- Reducing dispensing and prescribing errors
- Improving formulary compliance by plan physicians and prescribers
- Improving doctor–patient interactions through point-of-care information
- Improving patient care
- Providing quality initiatives (eg, adherence management)

Lowering costs, which was noted as an important consideration in 2006 by 54% respondents, fell by 11% in 2007, and less attention was given to the increased use of generics in 2007 compared with 2006 (30% vs 40%, respectively). Consistent with the shift in focus from cost of care to quality and cost of care, improving quality of patient care and reducing errors were considered critical e-prescribing outcomes by 80% of 2007 respondents. Fewer respondents in 2007 (37%) who had a Medicare line of business were uncertain that e-prescribing would be implemented compared with 50% of 2006 respondents. The focus in e-prescribing is clearly on reducing medication errors and improving quality of care, namely, ensuring that the right person gets the right medication.

KEY POINTS

▲ Survey responses of managed care pharmacy stakeholders during 2006 and 2007 show that their focus has shifted from cost to cost plus quality of care.
▲ Consumer-driven healthcare has emerged as a major driver of value, and pharmacy has a key role to play in that. Employers are the main stakeholders driving this trend.
▲ E-prescribing is also seen as a value trend: reducing prescribing errors and enhancing patient care are main objectives.
▲ The emphasis on collaboration in disease management reflects the growing role of quality of care in benefit design.

Table Survey Respondent Demographics

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In healthcare technology, the emphasis was clearly placed on quality and cost, with ever-increasing efforts at collaboration—all of which translates into value. More attention was paid to reducing prescribing errors and improved outcomes. The bigger picture, however, is one of total patient care. The individual silos of pharmacy, medical, and disease management are becoming increasingly less isolated, with all silos looking beyond their own silo to make formulary and benefit design decisions. Moreover, all silos are looking beyond their area with regard to the continuity of patient care from hospital to home, rehabilitation, or nursing care.

**Consumer-Driven Healthcare**

Respondents in 2007 expected their CDH products to represent a larger percentage of their business within the next few years; CDH products currently represent less than 10% of their business but respondents expect growth to more than 20% of the total products by 2010 (Figure 2). The stakeholders driving CDH are the purchasers of healthcare—the employers. Most respondents sought to reduce costs and to shift the accountability to the beneficiary (Figure 3). Doing so is thought to shift the responsibility of healthcare directly to the beneficiaries and encourage continued collaboration in the process.

In 2007, the increased use of generics was more likely to be seen as an objective of CDH. Most organizations are still using a tiered copay structure to manage their pharmacy benefits, most frequently waiting until after the deductible is met before initiating use of a tiered formulary benefit. In selected classes, pharmacy expenditures are covered without consideration of the deductible.

**Cost and Quality Considerations of CDH**

Some uncertainty remains about the impact of CDH, although about 50% of respondents expect that it would lower pharmacy expenses. However, more than 10% of respondents think CDH may increase pharmacy expenses rather than lowering them in the short- and long-term. When asked about the potential impact of CDH on plan medical expenses, respondents predicted that expenses would decrease in both the short- and the long-term. Overall, CDH is seen as an opportunity for greater savings, especially with the use of generic drugs.

Fewer respondents in 2007 compared with 2006 are looking to add benefit choices for healthcare from a menu-driven account as an important CDH offering. In 2006, respondents felt that health savings accounts with high deductibles were more likely to be important CDH offerings over the next 2 to 3 years, but this is not as important in 2007. “Improving the quality of patient care” ranked higher in 2007 (22% vs 15% in 2006) when managed care pharmacy experts were asked to identify the 3 primary objectives for offering a CDH plan, although this option was one of the least selected options for both years.

Reports regarding the impact of CDH on the quality of care are emerging.
In October 2007, CIGNA HealthCare released the findings of a 2-year study of the healthcare claims experience of more than 430,000 CIGNA CDH plans and traditional HMO and PPO members. Results of their study showed the following findings related to pharmacy:

- Medication compliance improved, while costs decreased
- Use of maintenance medications that support chronic conditions increased, while costs decreased.

**Barriers to P4P Implementation**

The percentage of networks that offered P4P incentives was consistent in 2007 and 2006 with regard to network physician services (32% vs 31%, respectively). Organizations offering network pharmacies P4P rewards stayed fairly constant (11% in 2006 vs 13% in 2007). Anticipated gains from P4P remained similar for both years as well—the use of generics, formulary products compliance, and the provision of preventive screenings.

The perception of barriers to the implementation of P4P incentives is increasing, the survey findings suggest. The greatest barriers are no surprise—a lack of performance standards, inability to track providers systematically, and not knowing how to gain provider buy-in (Figure 4). The concern has centered on a lack of appropriate criteria for measuring performance.

**Pharmacy Is Changing**

Although barriers facing pharmacy P4P appear formidable, there is activity in the area of pharmacy standards and measurement, and progress has been made. The Utilization Review Accreditation Commission released their standards for PBM in October 2007; the mission of a Pharmacy Quality Alliance is to improve healthcare quality and patient safety through a collaborative process, in which key stakeholders agree on a strategy for measuring performance at the pharmacy and pharmacist levels; collecting data in the least burdensome way; and reporting meaningful information to consumers, pharmacists, employers, health insurance plans, and other healthcare decision makers to help make informed choices, improve outcomes, and stimulate the development of new payment models; and a Pharmacy Quality Alliance is working to fulfill their mission. In addition, the National Quality Forum is working on the National Voluntary Consensus Standards for the Reporting of Therapeutic Drug Management Quality.

**Disease Management Programs**

Resources allocated for disease management and member education increased by a similar percentage of organizations in 2006 and 2007 (55% and 56%, respectively). Disease management was considered extremely or very important by 80% of respondents. The continued importance of disease management has been attributed to a desire for greater patient compliance, an attempt to meet employer expectations, and to rise above cost pressures. Employer expectations and cost pressures are very tightly related, because the cost pressures often define employers' demands.

The majority of organizations administer their disease management programs internally, although the trend toward outsourcing is increasing, the survey find-
ings show. Few organizations outsource all their disease management programs; rather, they tend to use a variety of methods for additional access and have added the Internet (47%), interactive voice recognition (29%), and text messaging (9%) in addition to phone and mail methods.

The most frequently offered disease management programs in 2007 have focused on:
- Diabetes (80%)
- Asthma (69%)
- Heart failure (56%)
- Depression (33%)

A similar emphasis was found in Medicare plans and in medication therapy management programs. The driving factors behind disease management were quality and cost as a unit. It was once thought that increasing compliance would increase pharmacy costs, but pharmacy stakeholders are increasingly viewing the total medical cost of an illness, not just one aspect of it.

Wellness Programs

A new question was added in the 2007 survey to determine which wellness programs were being offered. Smoking-cessation (49%) and weight-management (46%) programs were the top 2 wellness programs, followed by fitness (38%).

Emerging Trends in the Marketplace

The 2007 results about reference-based pricing were consistent with 2006 findings. One third of organizations were very likely, likely, or somewhat likely to use reference-based pricing. Efforts to track improvement in formulary compliance were also consistent with the previous year. This was motivated by the organizations’ measure of success in utilizing formulary products by therapeutic class, which consequently reduced total pharmacy spending. The utilization of formulary products by therapeutic class remained the top metric for tracking improvements in formulary compliance in 2007.

For formulary management, financial incentives have increased, shifting away from out-of-pocket moves. More incentives to patients are being offered, such as the addition of zero copay for generics, to encourage patients to select generic products. A few organizations are now also offering zero copay for branded products for select disease states, such as diabetes or heart disease.

Most respondents did not see changes occurring about loosening formulary management. Others found ways to lower some of the patients’ out-of-pocket costs. In short, the emphasis in 2007 remained on quality and cost.

The entry of blockbuster generics was predicted to change the picture on generics. It was further thought possible that value-based benefits could become an important issue, but few respondents have them in place or under development. The overall goal of this practice is to ultimately improve the overall quality of care by encouraging the use of the right drug or treatment at the right time for each patient. The attention to lowering costs has not been lost, but the focus on quality has increased.

Healthcare Reform

Other emerging trends anticipated to have a significant impact on the future of managed care pharmacy include specialty pharmacy and healthcare reform (Figure 5). There was considerably less concern in 2007 compared with 2006 on Medicare Part D impact or changes. The current Medicare emphasis remains on medication therapy management programs.

Conclusions

The growing emphasis on value, combined with cost, quality, and the increased involvement of the pharmacist in healthcare is very encouraging. The discussion in many of these trends is still focused on cost, but a focus on combining cost and quality is emerging. These findings are a hopeful testament to the value of making decisions based on the evidence. The goal of these surveys was to provide useful information for managed care pharmacists and other interested parties, as well as encourage increased managed care pharmacy...
expert involvement in a broader healthcare role. Managed care pharmacy experts possess specialized knowledge related to one of the most utilized components of healthcare benefits—the pharmacy benefit—and their expertise serves to help people optimize their medication therapy.

Disclosure Statement
Ms Pigg is on the Advisory Board of Lilly, Centocor, and Daiichi-Sankyo. Ms Cihak is a contractor with Merck & Co.

References
3. For more information on the PQA missions and current efforts, see http://www.pqaalliance.org.
4. For more information on the National Quality Forum’s work on consensus standards, see http://www.qualityforum.org.

For inquiries or comments, please contact editorial@AHDBonline.com.

AHDB Stakeholder Perspective

Emerging Trends in Managed Care Pharmacy: Familiar Gaps but Great Potentials

PATIENTS & EMPLOYERS: Thinking about the “new frontiers” outlined in this research from an outsider’s viewpoint, it looks much the same landscape as before. Granted, progress has been made, but significant gaps remain in the performance of the healthcare delivery system, along with managed care pharmacy. For example, only one third of stakeholders have integrated communication; consumer-driven healthcare pharmacy remains a cost-shifting vehicle, without major improvements in empowering patients as decision makers; and cost-management issues remain prime, without addressing the root value basis across silos that are all paid for by employers or by government programs.

PHARMACY LEADERS: As a benchmark for the future of managed care pharmacy, this paper can be most useful and empowering to leaders of this sector, even more so perhaps than imagined. There is a real opportunity here to drive new thinking and improvements in the delivery of value-based healthcare services that can deliver improved, cost-effective outcomes.

As an example, the promise of e-prescribing includes a collaborative effort among various provider and administrative stakeholders to drive improvements in the quality of care. Furthermore, consumer-driven solutions and benefit designs will continue to emerge as well as offer more sophisticated value-driven options that can reach the promise envisioned when consumer-driven healthcare pharmacy entered the healthcare landscape about 10 years ago.

Along with great promise, there remain many opportunities in managed care pharmacy to fulfill its evolving role in the US healthcare frontier.

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