
An Evaluation of Payer Satisfaction with Specialty Pharmacy Providers



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Report Overview

- Key Findings
- Methodology & Respondent Profile
- Detailed Results
 - Specialty Pharmacy Cost & Procurement Trends
 - Satisfaction with Specific Service Elements
- Areas For Future Research



Summary of Key Findings



Key Findings: Cost Trends

- 50% of respondents reported that specialty pharmaceuticals represented > 8% of overall pharmacy costs
- 67% reported that their specialty pharmacy pmpm was less than or equal to \$3 pmpm
- 80% of respondents expect specialty pharmacy to continue its rapid growth, in the 20-39% trend range
- Only 30% of respondents expect cost-sharing to be a significant part of their strategy to control costs



Key Findings: Procurement Trends

- 70% of respondents reported using a specialty pharmacy provider that was not owned or operated by a PBM
- 50% of respondents contract with four or more specialty pharmacy providers
- 80% of respondents have conducted a competitive procurement process for specialty pharmaceuticals during the past two years



Key Findings: Satisfaction Ratings

- When rating their satisfaction with specialty pharmacy services on a 10 point scale, payers reported the following:
 - Overall satisfaction of (7.3)
 - Highest rated attribute
 - Breadth of product line offered (8.0)
 - Lowest rated attribute
 - Ability to assist payers in integrating data (3.7)



Survey Methods & Respondent Profile



Survey Methodology

- Pharmacy executives from over 80 national and regional health plans were contacted via telephone to solicit their interest in participating in the study. Plans that expressed an interest in participating in the study were offered a copy of the final report in exchange for their participation. There were 36 plans (45%) that expressed an interest in receiving a copy of the survey to review. Each of those plans received a copy of the survey via email or fax, depending on the plan's preference.
- Plans were allowed a four-week time period to complete the survey, and follow-up calls were made to those plans that received a survey, but did not complete a response. There were 22 health plans (28%) that submitted a copy of the survey to the Pharmaceutical Strategies Group, representing a total of 21,000,000 covered lives. Two of those plans were unable or unwilling to provide data on program costs and / or satisfaction measures due to corporate policies prohibiting disclosure of such information. Therefore, the final survey report is based on the completed survey responses of 20 plans, representing over 19,000,000 covered lives and an overall response rate of 25%.



Respondent Profile

Payer Type	# of Respondents
National MCOs	2
BCBS Licensees	6
Large Regional MCOs	8
Midsized MCOs	4

The twenty firms in the survey represent 19,000,000 covered lives

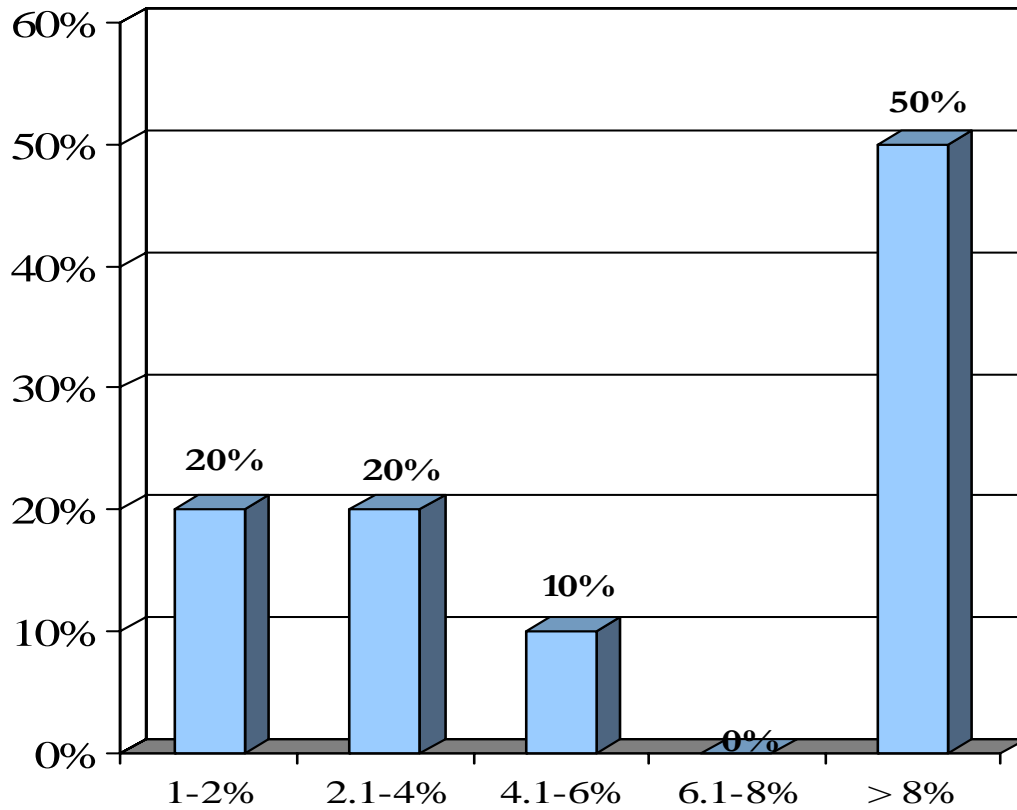


Cost & Procurement Trends



Cost & Procurement Trends

Budgetary Impact of Specialty Pharmaceuticals

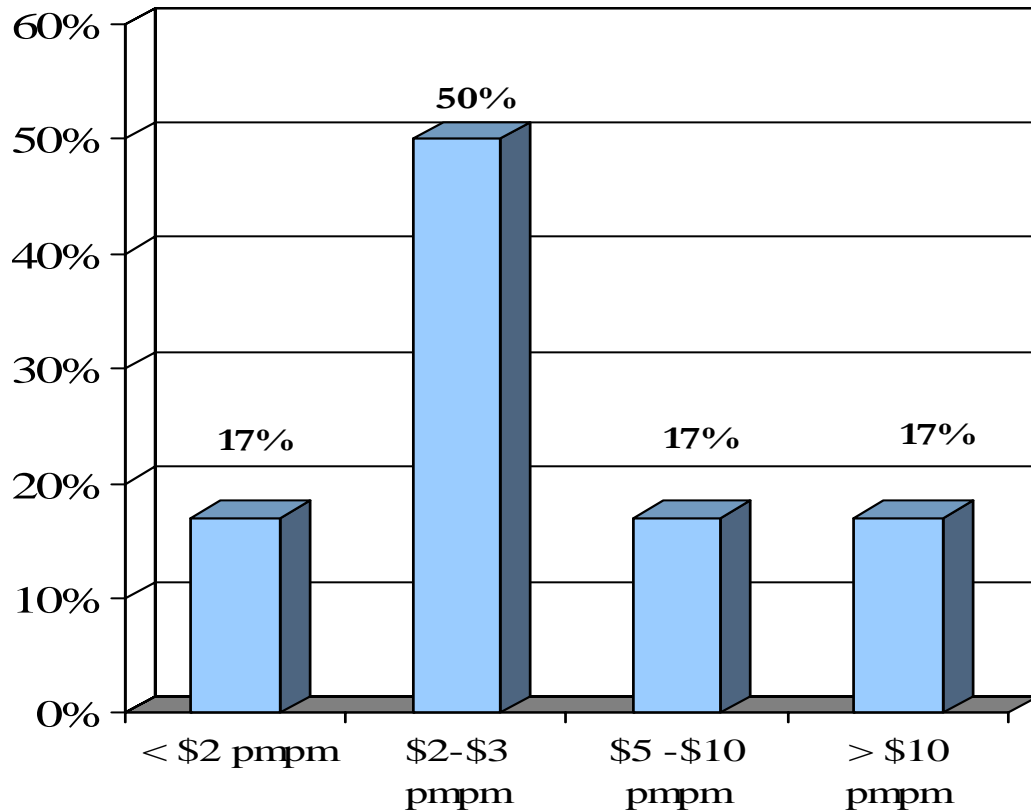


Health plans responding to the survey are very concerned with the current impact of specialty pharmaceuticals on their budgets. In fact, 60% of respondents noted that in 2003, specialty drug products were responsible for > 4% of total pharmacy costs. In addition, 50% of respondents indicated that specialty pharmaceuticals are responsible for more than 8% of current pharmacy program costs. Some respondents indicated that it is somewhat or very difficult for them to measure the overall impact of specialty pharmaceuticals on their budgets, since a lot of utilization and cost continues to reside in the medical budget of the MCO.



Cost & Procurement Trends

Budgetary Impact of Specialty Pharmaceuticals (pmpm)

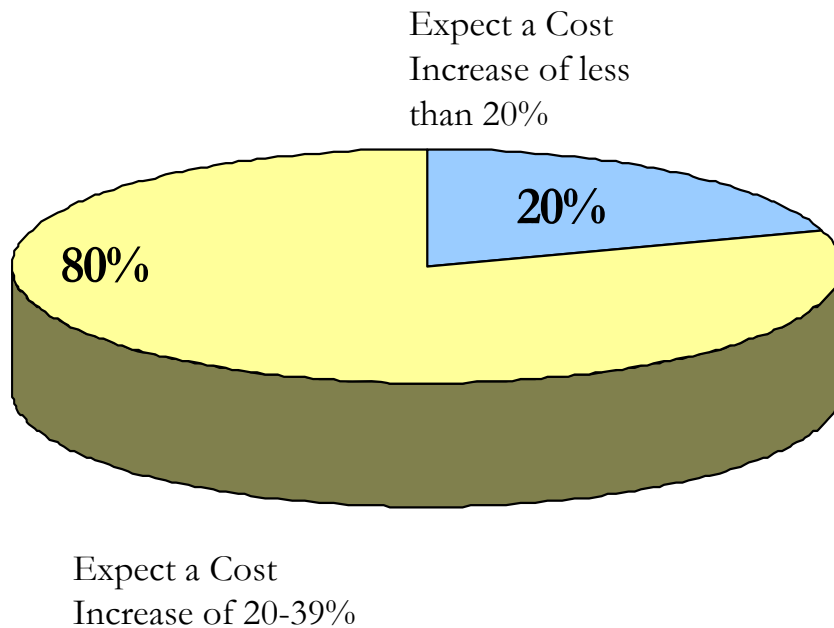


Only 60% of the plans responding to the survey had enough information to be comfortable answering this question. Of those who responded, 67% believe their specialty pharmacy pmpm is \$3 or less. The remaining plans reported much higher pmpm impacts, ranging from \$5 to > \$13 pmpm.



Cost & Procurement Trends

Anticipated Growth Rate for Specialty Pharmacy Spend

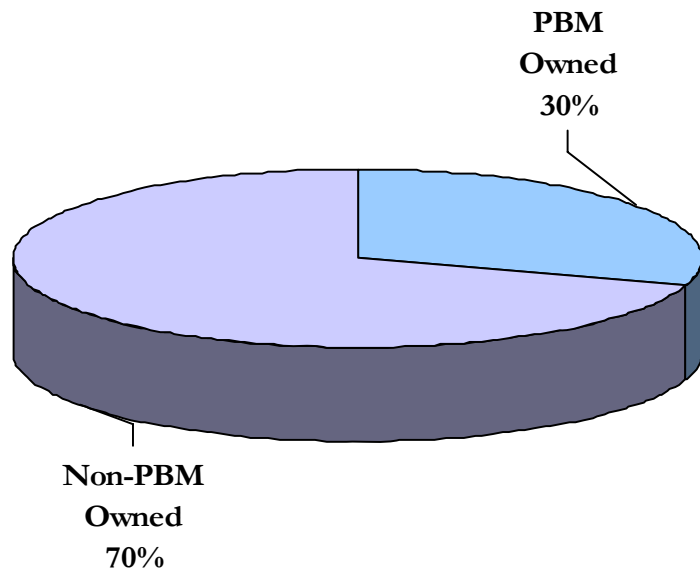


As concerned as payers are with the impact that specialty pharmaceuticals are having on their budgets today, they are even more concerned with the overall growth rate of these products. Of survey respondents, 80% indicated that they expect the annual growth of specialty pharmacy spend to be 20% to 39% annually. Conversely, only 20% of respondents indicated that they expect a more modest growth rate of less than 20%.



Cost & Procurement Trends

What Type of Organization Provides Specialty Pharmacy Services to Your Plan?



The majority of respondents contract with specialty pharmacies that are not owned or affiliated with a PBM. This trend will be interesting to watch as all of the large PBMs have now made major strides in their specialty pharmaceutical programs. Whether by acquisition (i.e. Express-Scripts acquiring Curascript) or by strategic alliance (Medco / Accredo) all PBMs are aggressively seeking to expand their specialty pharmacy capabilities. Growing their captive specialty pharmacy business will likely be a key objective for all PBMs that own their own specialty pharmacies.



Cost & Procurement Trends

- Payers cited the following potential Advantages of contracting with a PBM owned or affiliated specialty pharmacy provider
 - Better potential to integrate claims data
 - Potential for lower overall pharmacy costs, due to bundled pricing
 - If core PBM relationship is strong, the affiliated specialty pharmacy may be more responsive
 - Operational efficiencies (i.e. eligibility)
 - Easier to audit
 - Better quality controls



Cost & Procurement Trends

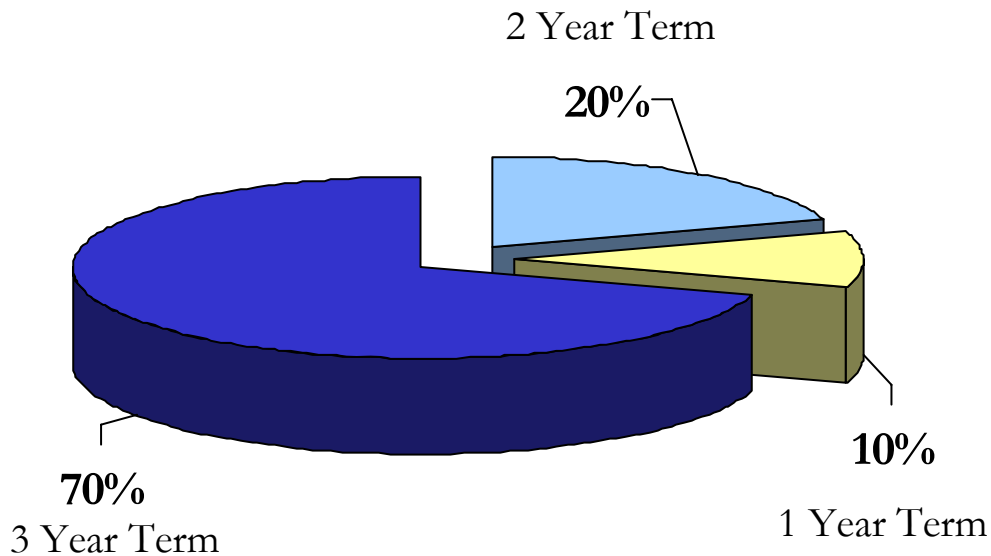
- Payers cited the following potential **Disadvantages** of contracting with a PBM owned or affiliated specialty pharmacy provider
 - Most PBMs are new to the business, and therefore have inferior products & services
 - PBM owned specialty pharmacies may have difficulty accessing limited distribution injectable drugs
 - Incentives may not be aligned between the PBM and the health plan
 - Lack of experienced clinicians in the PBM’s specialty pharmacy
 - Difficult to evaluate pricing...bundling with other services makes it even more difficult to understand how much you are paying for a certain service or package of services
 - Lack of customer focus for smaller MCOs
 - We don’t want to “put all of our eggs in one basket”



Cost & Procurement Trends

Specialty Pharmacy Procurement

Most Appropriate Length of Contract

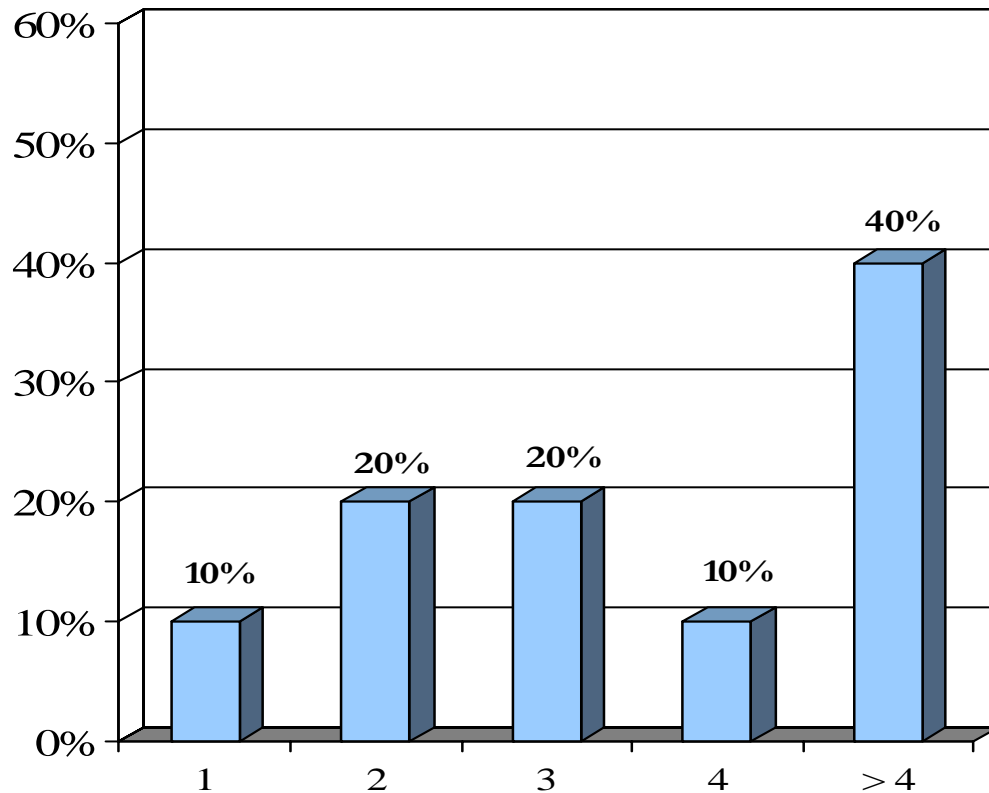


More than 80% of respondents indicated that they have conducted a competitive procurement process for specialty pharmaceuticals since 2002. Of those that did conduct a competitive procurement exercise, the average number of vendors included in the process was five. The largest number of specialty pharmacy vendors included in a procurement process was eleven, and the fewest number of vendors included in a procurement process was three. When asked about the most appropriate length of time to enter into an agreement with a specialty pharmacy provider, most (70%) indicated a three year term.



Cost & Procurement Trends

Current Number of Specialty Pharmacies Serving Your Plan



The majority of plans continue to contract with several different specialty pharmacy suppliers. In fact, 50% of respondents indicated that their organization contracts with four or more specialty pharmacy suppliers. Most payers expect this number to shrink to two to three in 2005.



Satisfaction with Specialty Pharmacy Service Attributes



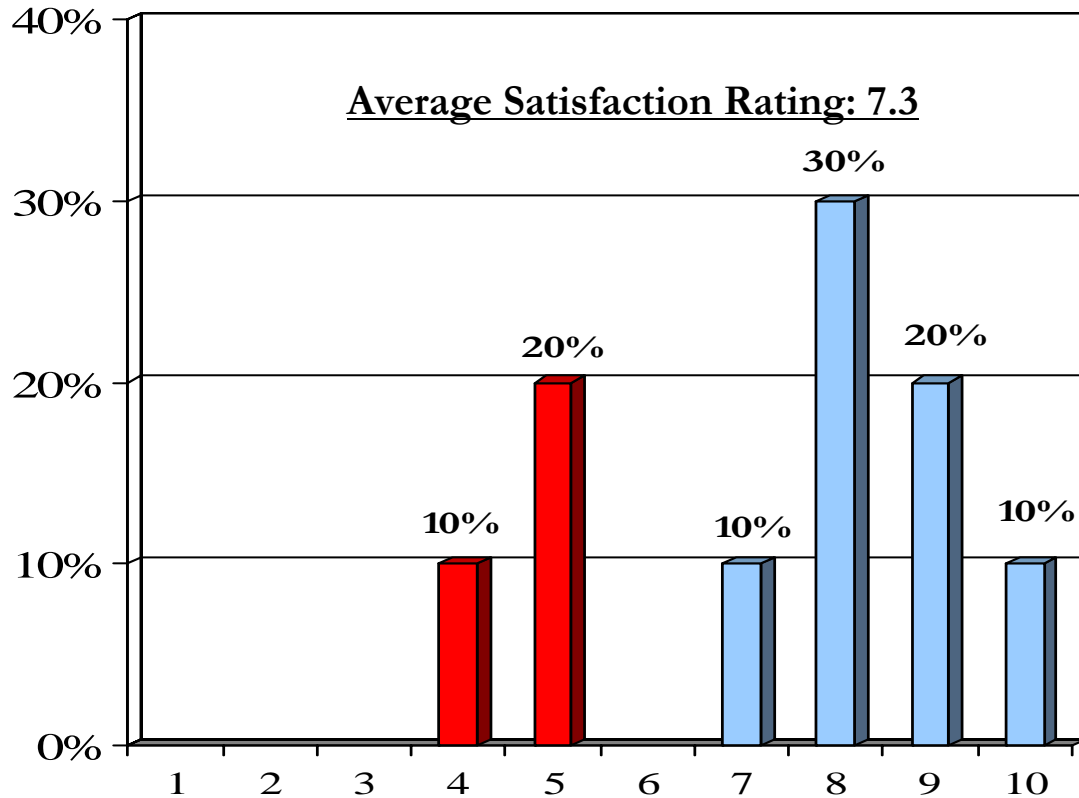
Satisfaction with Specific Service Attributes

- The purpose of this survey was to develop an initial assessment of payer satisfaction with the specialty pharmacy industry
- Respondents were asked to rate their overall level of satisfaction with specialty pharmacy services on an overall basis, and for individual service attributes
 - The same scale was used to rate each satisfaction attribute, with a “1” rating being completely unsatisfied and a “10” rating being completely satisfied



Satisfaction with Specific Service Attributes

Overall Satisfaction Level

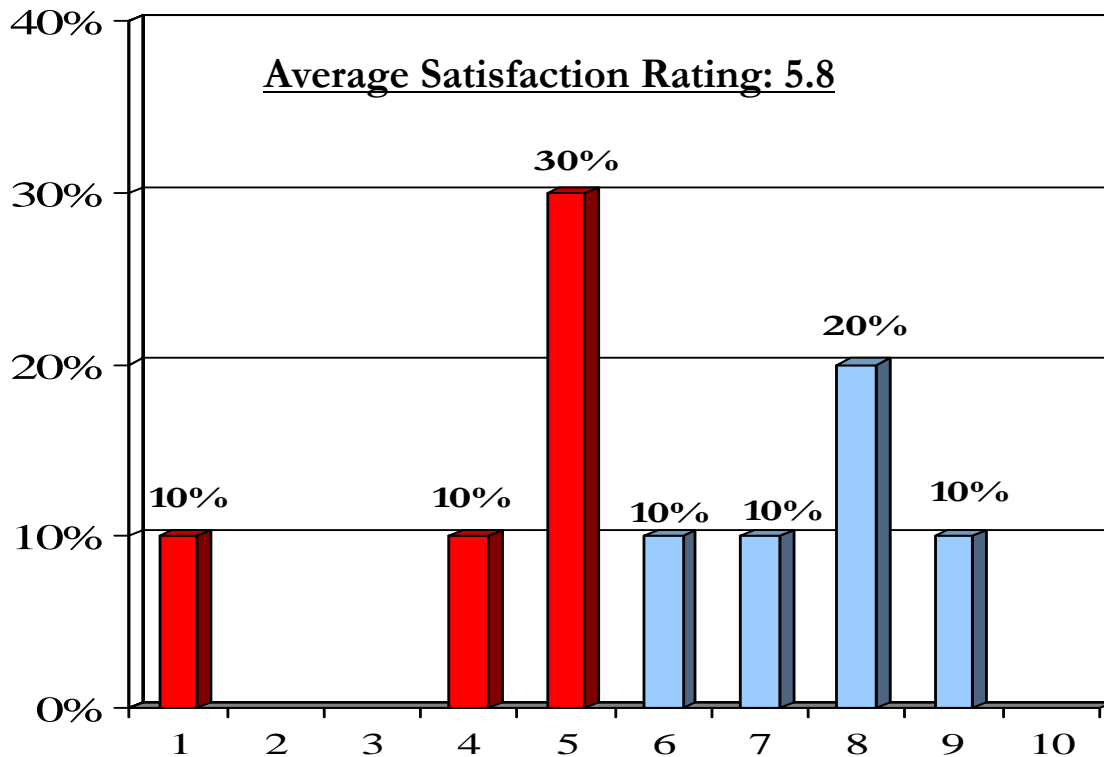


While the majority of payers expressed satisfaction with the overall level of service provided by their specialty pharmacy provider, 30% were dissatisfied with the level of service received (as determined by a score of 5 or less on a satisfaction scale of 1 to 10)



Satisfaction with Specific Service Attributes

Quality of Reimbursement Support Services

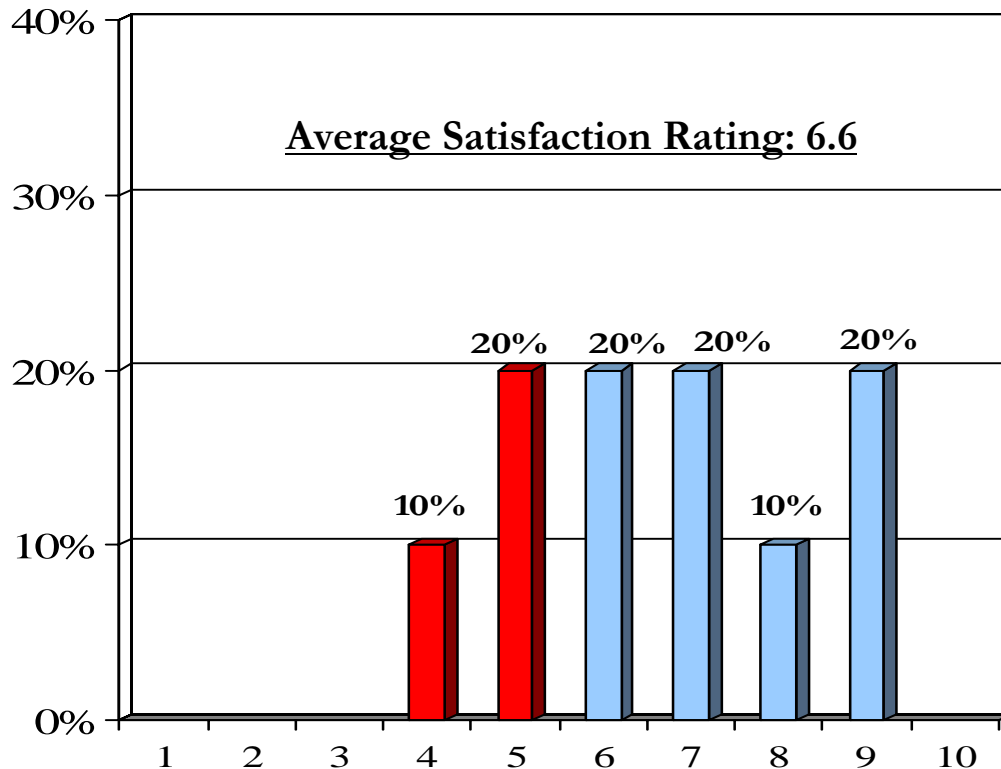


Payers and pharmaceutical manufacturers look to specialty pharmacy providers as a key source of reimbursement support services. The results of this survey indicate that specialty pharmacy providers are not doing the job expected of them. The average satisfaction rating given to specialty pharmacy providers for this important service attribute was 5.8 out of a possible 10. In fact, 40% of respondents rated their satisfaction a 5 or less, and 10% even gave a score of 1 out of 10. These results indicate a need for specialty pharmacy providers to enhance the value of their reimbursement support services.



Satisfaction with Specific Service Attributes

Effectiveness of Patient Compliance Services

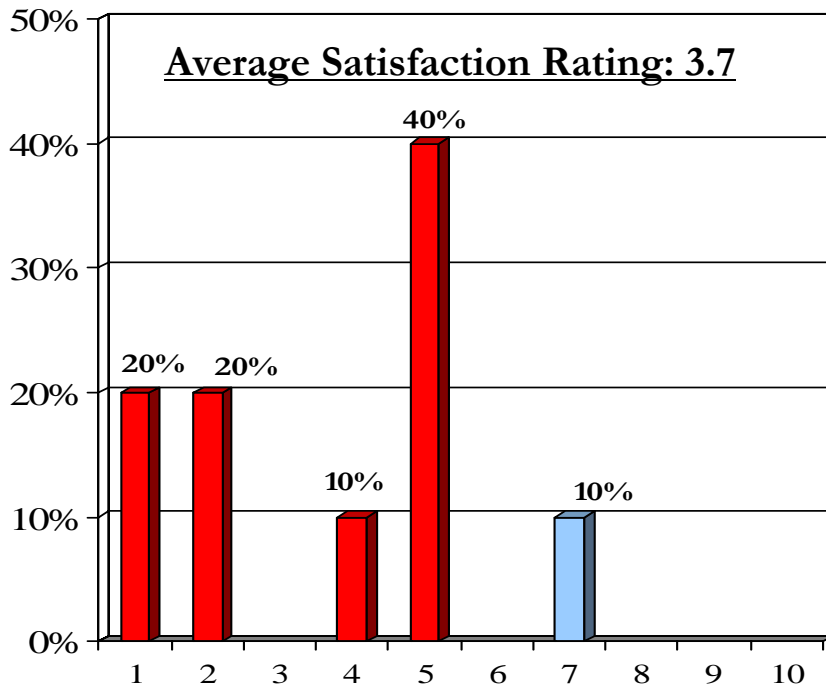


Another component of specialty pharmacy services is clinical program delivery, including programs to maintain and improve patient compliance. The results of the survey demonstrate that payers are modestly satisfied with the effectiveness of compliance services offered by specialty pharmacy providers, as demonstrated by an average satisfaction score of 6.6 out of a possible 10.



Satisfaction with Specific Service Attributes

Ability to Integrate Medical & Pharmacy Data

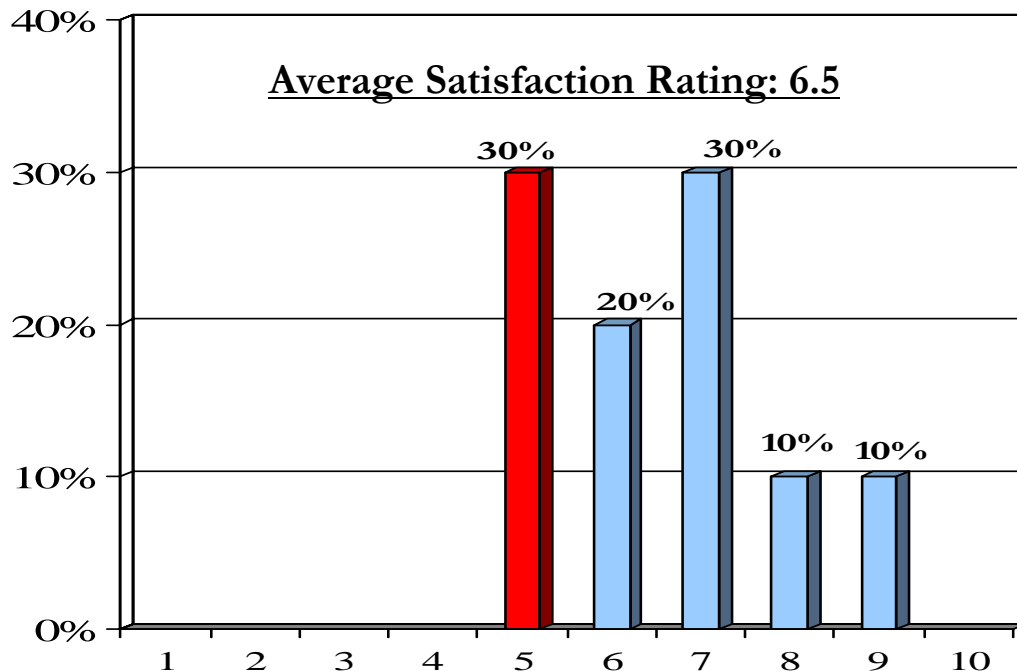


Realizing the impact that specialty pharmaceuticals can have across the health care continuum, payers are interested in understanding how these medications impact costs in other areas of the health plan. In an effort to capture and understand these clinical outcomes and associated costs, payers are looking to specialty pharmacy providers to provide data integration services. Though this service is in demand from payers, the ability of specialty pharmacy providers to meet payer needs in this area is poor. Respondents scored their satisfaction with this service component the lowest among all service & product attributes, with an average category satisfaction score of 3.7 out of 10. Even more striking, 90% of respondents scored their satisfaction with this attribute equal to or less than 5 out of a possible 10. These results demonstrate that there is significant room for improving the quality and quantity of data integration services provided by specialty pharmacy providers.



Satisfaction with Specific Service Attributes

Qualifications of Clinical Staff

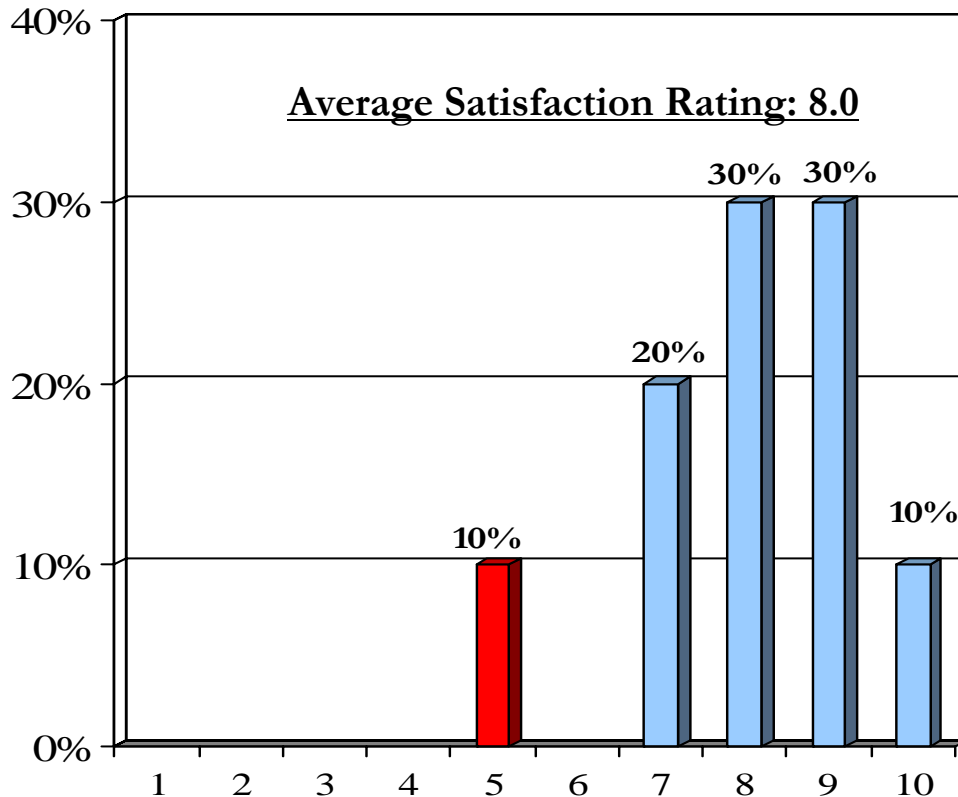


Specialty pharmacy providers promote one of their advantages as providing staff who are expertly trained in a wide variety of complex disease states. This survey measured payer satisfaction with the qualifications of clinical staff available via specialty pharmacy providers. Payers are modestly satisfied with the quality of staff provided, with an average category score of 6.5. No respondent scored their overall satisfaction with clinical staff less than a 5 out of a possible 10.



Satisfaction with Specific Service Attributes

Breadth of Product Line Offered

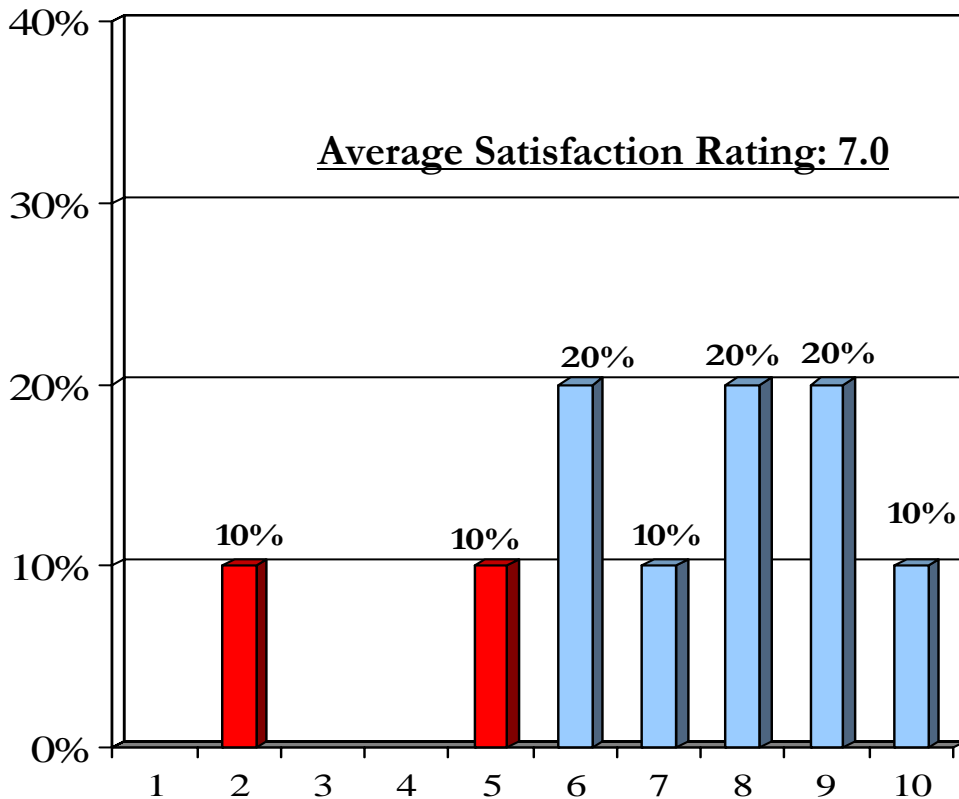


Payers are looking for convenience when it comes to contracting with their specialty pharmacy provider (s). One factor that can complicate the specialty pharmacy contracting process is the need to contract with multiple providers to gain an appropriate level of access to the range of specialty products utilized by plan members. The results of the survey demonstrate that payers are mostly satisfied with the breadth of products offered by their specialty pharmacy providers. In fact, the average satisfaction score for this category (8 out of a possible 10) was the highest of all of the service attributes measured in the study. Only 10% of respondents scored their satisfaction a 5, while 40% rated their satisfaction as either a 9 or 10.



Satisfaction with Specific Service Attributes

Level of Product Discounts Provided

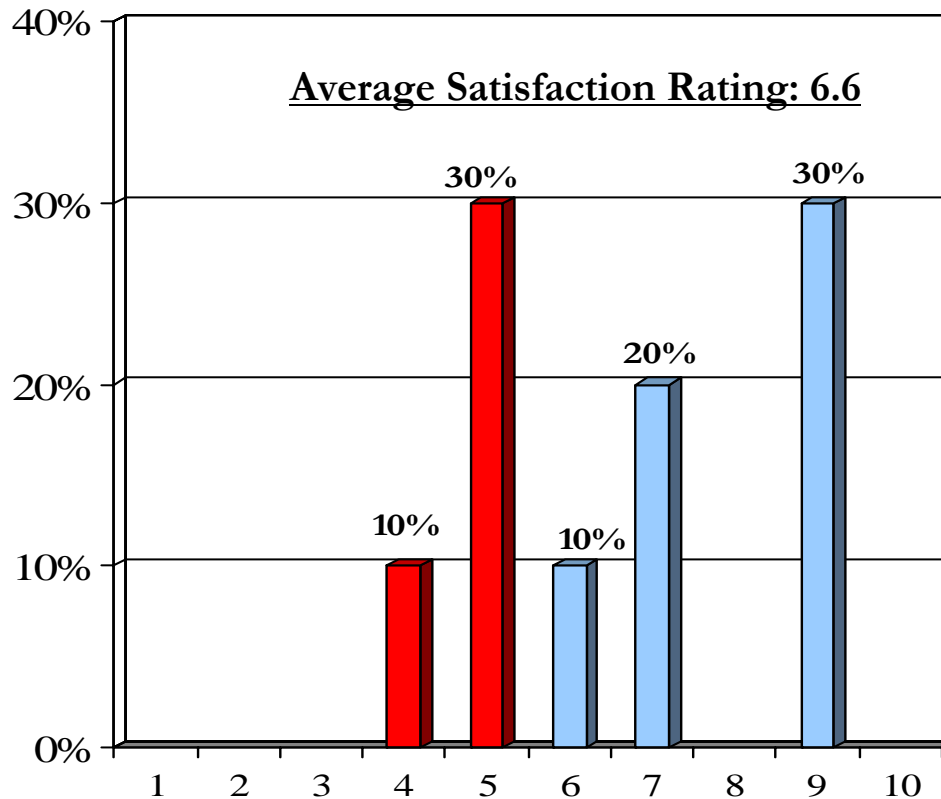


As with any service, pricing is a component of the overall value equation. In measuring payer satisfaction with the level of pricing discounts offered by specialty pharmacy providers, we found that payers are modestly satisfied with an average satisfaction score of 7.0. Only 20% of respondents rated their satisfaction a 5 or less, while 50% rated their satisfaction as 8 or higher.



Satisfaction with Specific Service Attributes

Quality of Patient Education Programs Provided

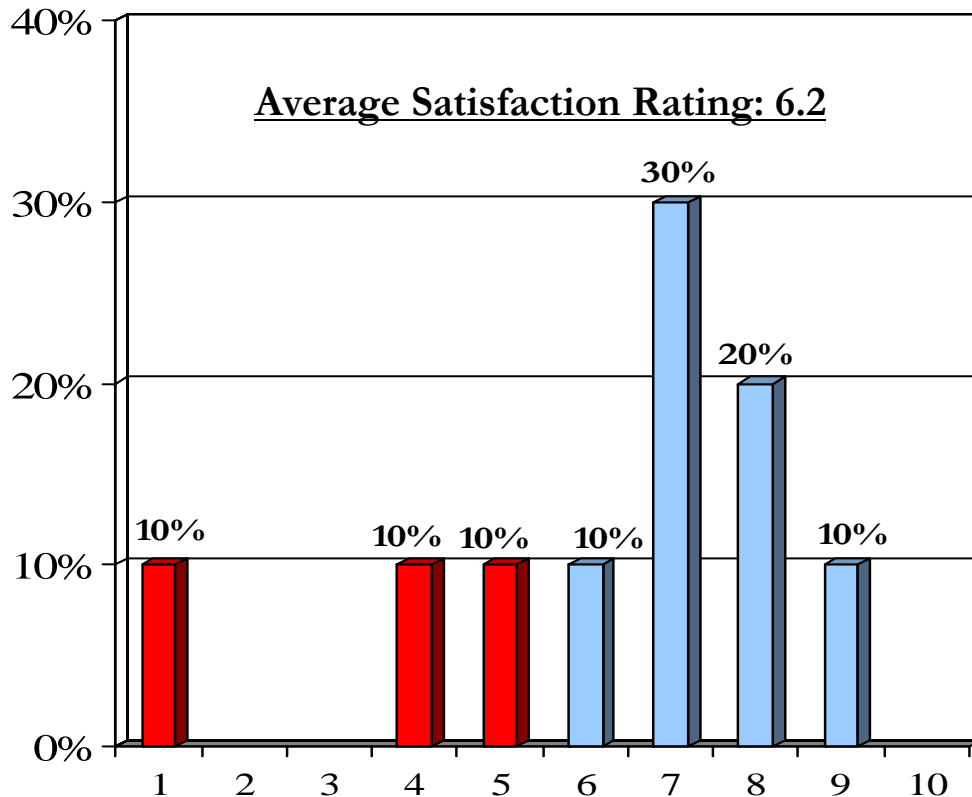


Customized patient education programs are a key part of any long term medical therapy. The survey measured payer satisfaction with the quality of these customized patient education programs. Though the service received an average satisfaction rating of 6.6, only 30% of respondents rated their satisfaction higher than 7 out of 10. This data suggests that specialty pharmacy providers could improve the quality of programs they deliver to members that utilize their service.



Satisfaction with Specific Service Attributes

Quality of Guideline Development / Utilization Management Programs

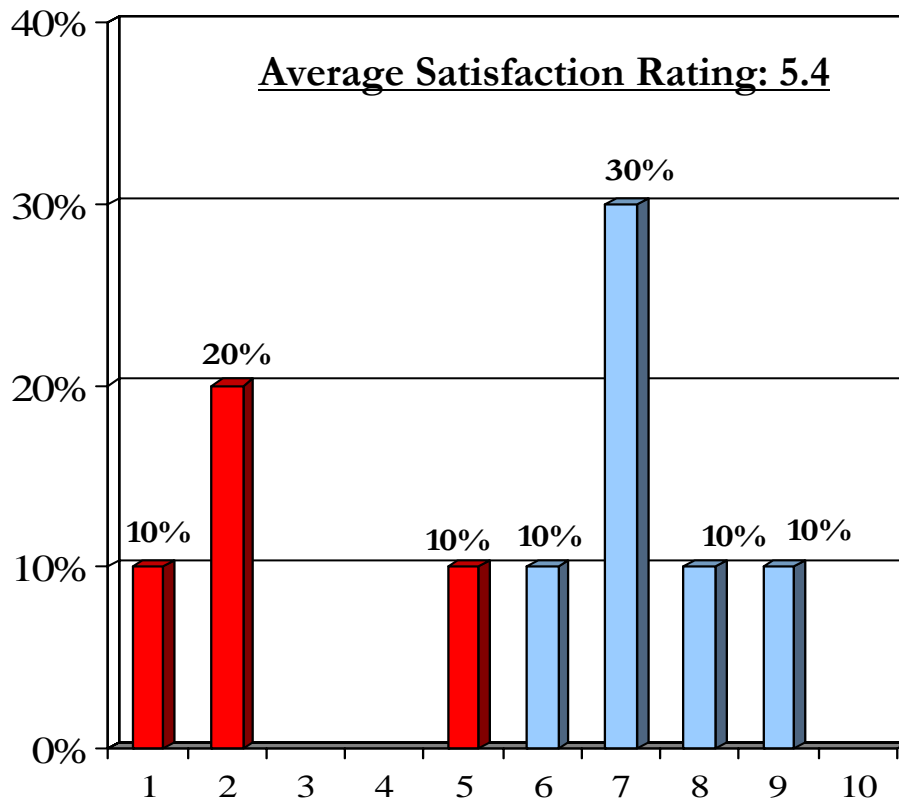


Ensuring that specialty pharmaceuticals are utilized appropriately is a key goal for payers that provide coverage for these products. Many payers look to their specialty pharmacy providers as a key resource in developing and implementing guidelines to influence appropriate utilization of these complex medications. Payer responses to this survey indicate that there is room for specialty pharmacy providers to improve the quality of services they offer in this important area. The average rating of payer satisfaction with this service attribute was 6.2 out of a possible 10, with 30% of respondents rating their satisfaction a 5 or less.



Satisfaction with Specific Service Attributes

Quality of Financial Modeling / Budgetary Support Services

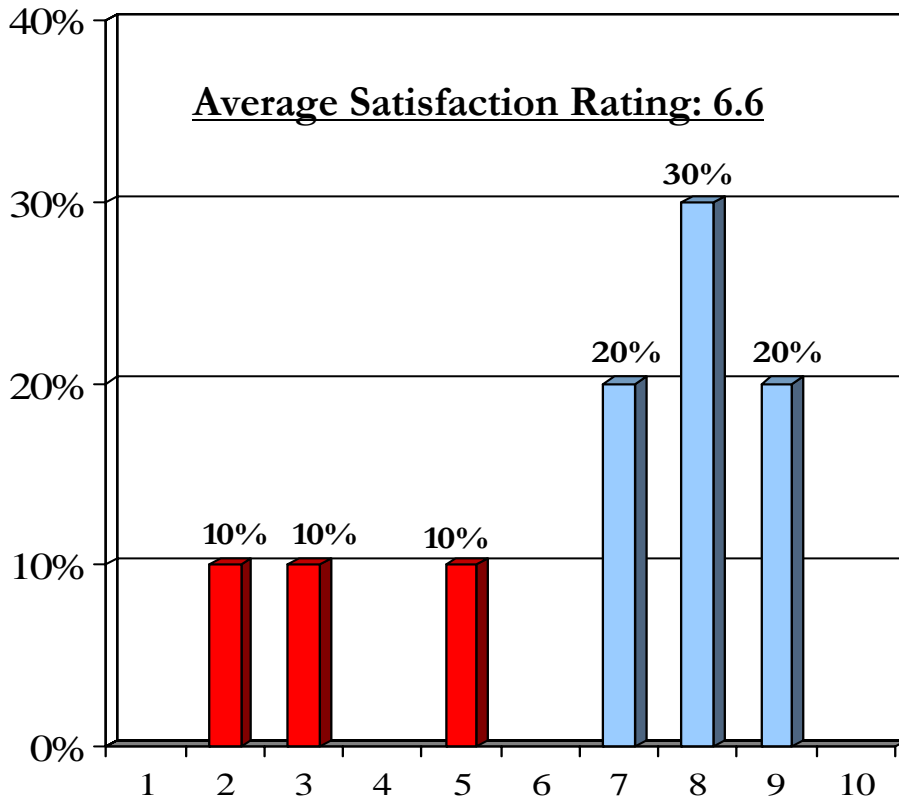


Payers express frustration with their ability to model the financial impact that specialty pharmaceuticals are having on their population. In addition, some payers often find it challenging to predict the future impact of specialty pharmaceuticals based on the expected timing and clinical adoption of these novel therapies. Based on their knowledge of the space, specialty pharmaceutical providers should be in an ideal place to assist payers in meeting this need. When we asked payers how satisfied they are with the amount of assistance they are receiving in this area, the results note significant opportunities for improvement. The average satisfaction score for this category was 5.4 out of 10, which was the second lowest average category rating of any service attribute that was measured.



Satisfaction with Specific Service Attributes

Ability to Deliver Promised Services

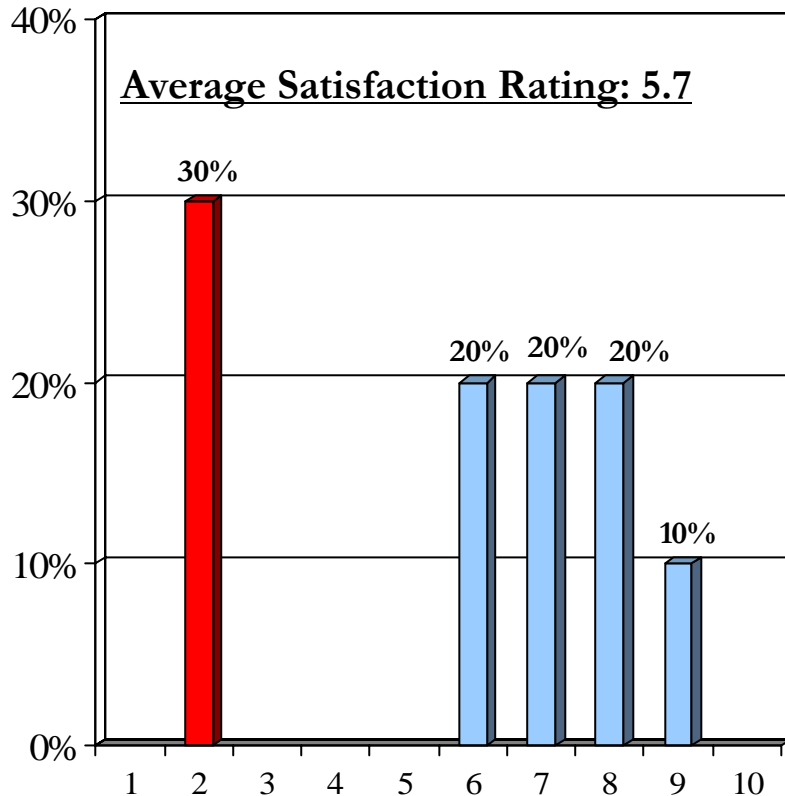


Throughout the competitive bidding process for specialty pharmaceuticals there are numerous commitments made by specialty pharmacy providers. This survey sought to measure the extent to which the selected specialty pharmacy provider delivered on the commitments they promised during the bidding process. The results of the survey show that payers are somewhat satisfied with this attribute, with an average category satisfaction rating of 6.6 out of 10. The majority of payers (70%) scored their satisfaction with this attribute at least a 7. Despite these generally favorable impressions, 20% of respondents rated their satisfaction with this attribute as a 2 or 3, which indicated a significant level of dissatisfaction for those plans. One way for payers and specialty pharmacy providers to ensure that there are appropriate levels of service delivered to plan participants is to develop and include service guarantees into specialty pharmacy contracts. Performance guarantees will allow payers and specialty pharmacy providers to agree upon service expectations up front, and will create a mechanism to consistently monitor the performance of specialty pharmacy providers in light of these mutually agreed upon performance standards.



Satisfaction with Specific Service Attributes

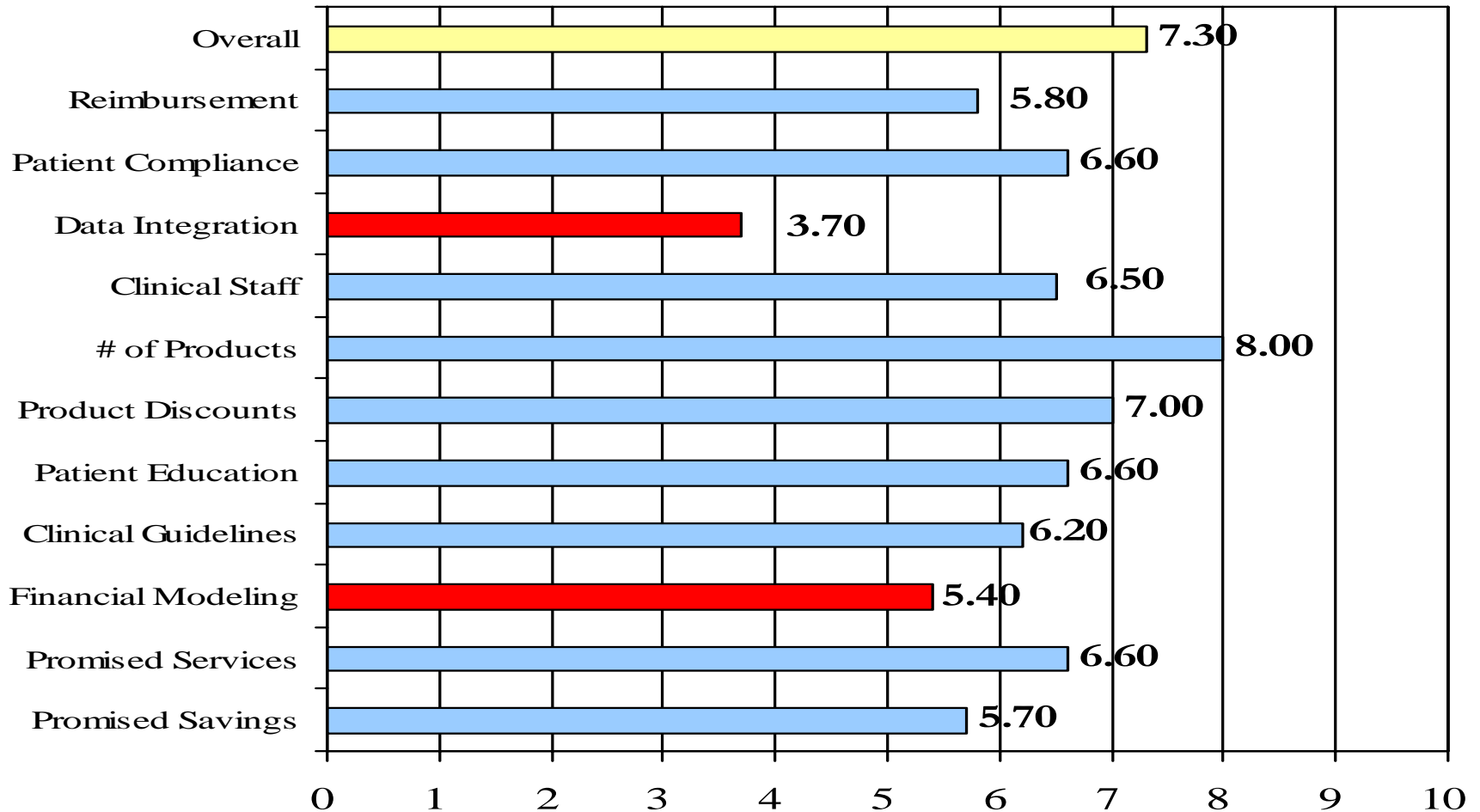
Ability to Deliver Promised Savings



Equally important to delivering on service commitments is the ability to deliver the savings promised via the competitive procurement process. Payers rated their satisfaction with this attribute quite low (5.7 average category satisfaction rating). This finding is particularly interesting, given that payers rated their satisfaction with the level of product discounts the highest of any attribute measured in the survey. The discrepancy between these category ratings could be due to savings promised by specialty providers in conjunction with utilization management initiatives, or offsets to overall medical costs. Payers scored their satisfaction with UM programs and data integration services offered by specialty pharmacy providers quite low (6.2 and 3.7 respectively), which would be consistent with this possible explanation.



Satisfaction Summary



Implications for Future Research



Implications for Future Research

- The purpose of this survey was to develop an initial assessment of payer satisfaction with the specialty pharmacy industry as a whole. Further work should be done to evaluate the satisfaction of payers with individual specialty pharmacy service providers, which will be a focus of future surveys to be conducted by The Pharmaceutical Strategies Group in 2004 and 2005.

