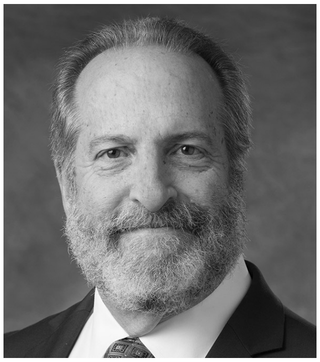
EVERSANA™



Howard Flushman,
Research Director

SPECIALTY PHARMACIES & SPECIALTY DISTRIBUTORS

Ask the Expert - Specialty Pharmacies and Specialty Distributors

Q1:

Howard, what strategic directions are institutions taking to access the specialty pharmacy segment?

A:

Institutional business development into the area of specialty pharmacy (SP) remains, first and foremost, a financial play. This is best illustrated by clearly identifying 340B acquisitions as the since they present a prime opportunity to recapture profit margins lost due to patients directed to non-institutional SP dispensers. This then leads to significant potential for the abuse of acquisition rates established for drugs purchased for 340B-eligible patients by applying those rates to a more general commercial patient population. As a result, biopharmaceutical companies have a number of responsibilities to consider enhancing. First, they must be vigilant when negotiating acquisitions rates directly with SPs to control for any possible misapplication of 340B discounts. Second, they must require clear contact terms and conditions governing how such discounted access is permitted and tracked. And third, they must enhance and expand audits of contract entity purchases for distribution and/or dispensing metrics to ensure the legitimacy of the applied acquisitions rates. (Please also see my answer to question three.)

Q2:

How will the evolution of institution-owned specialty pharmacies impact biopharmaceutical companies' network strategies?

A:

Institutional SPs may radically change the industry composition and channel strategies—but that potential has yet to be realized! That said, by 2022, you can expect developed Institutional SPs to build more integrated, comprehensive coverage in specific therapeutic markets. You will also see them pursuing opportunities to demonstrate outcomes analysis and their ability to engage in value-based contracts as well as demonstrating enhanced data reporting systems, performance indicators, and monitoring capabilities. They will also be working very hard to increase inclusion in payer networks.

Q3:

What key factors should biopharmaceutical companies consider when working with institution-owned specialty pharmacies?

A:

Integrated delivery networks (IDNs) pose a challenge for biopharmaceutical companies in that they use multiple strategies for SP business development, ensuring SP accountability and establishing competitive differentiation from independent SPs. There are many key factors to consider when working with IDN-owned SPs. To begin, two-thirds of IDNs employ more than one organizational business model in their SP business growth strategy. These Institutional SPs also recognize that accreditation is the "price of admission" for contracts with both payers and biopharmaceutical companies. Institutional SPs utilize a diverse range of specialty product reimbursement and acquisition rate models that varies significantly from that of their competitor independent SPs while they also strive to provide more sophisticated data reporting capabilities to support value-based contracting. That said, Institutional SPs gain modest external business but still struggle to expand to local markets beyond employees and IDN-owned plan members. They are also challenged by payers directing patients to alternate sites of care for infusion services. Institutional SPs commonly lack effective controls to influence physicians and enforce the use of their services. They prioritize different patient management services than that of independent SPs, and many fail to deliver key patient services despite asserting that patient care is the cornerstone of their SP business.

All of these issues must be considered and accounted for by companies when building the core rationale for strategic engagements with IDN-owned SPs. The important question then follows: are competitive enough to participate in overall distribution channel network strategies, or is their engagement more effective serving to build account relationships? The level of importance and impact of each of the above-mentioned factors will be different depending on the answer to this question of strategy.

Q4:

How will the institution-owned special pharmacies affect the product distribution flow?

A:

It's helpful to look at a few examples of points of impact affecting production distribution flow. First, in acknowledging that 340B is the primary driver for IDNs to build internal SPs, companies must be vigilant in negotiating acquisitions rates directly with SPs to control for misapplication of 340B discounts and require clear contract terms and conditions on how such discounted access is permitted and tracked while also enhancing and expanding audits of contract entity purchases for distribution and/or dispensing metrics to ensure the legitimacy of the applied acquisitions rates. For a second example, companies engaging Institutional SPs for office, clinic, and HCP-administered products specifically must be prepared to contend with growing payer pressures over site-of-care choices and increasing payer interests for SP white-bagging direct-to-provider office locations—both of which will complicate the product flow process designed to enhance patient access. Lastly, Institutional SPs often offer a range of services that lean towards clinical and care coordination services rather than product dispensing and distribution and overall access. This becomes a critical concern when attempting to align the brand's needs at the current point in its product lifecycle with the type of SP that would best serve those immediate and next-phase business goals and objectives.