MEMBERSHIP MANAGEMENT: CHALLENGES AND BEST PRACTICES

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In the pharmaceutical industry, access to pricing is primarily driven by membership. Institutions like hospitals, clinics, and pharmacies sign up as members of a Group Purchasing Organization (GPO) to be eligible to purchase products at a discounted rate. In turn, the GPO leverages its collective purchasing power with the pharmaceutical manufacturers to secure a lower price for its members. In order to keep track of the eligible customers, GPOs provide membership rosters to manufacturers and wholesalers with whom they are contracted.

However, keeping accurate membership listings and maintaining quality customer data is becoming increasingly difficult for pharma manufacturers. The proliferation of GPOs, growth of Integrated Delivery Networks (IDNs), increasing complexity of contract terms, lack of industry standardization, and changes brought on by healthcare reform all conspire to diminish accurate records keeping. Fortunately, there are consistent, measurable steps that can be taken to increase the overall efficiency of membership management.

OPERATIONAL CHALLENGES

Identifiers

Due to the volume of data exchanged between trading partners in the pharmaceutical industry, much of it inconsistently maintained, manufacturers have come to rely on standardized identifiers to refer to institutions within the supply chain. These IDs are assigned and maintained by various government agencies and third party organizations that provide the information on a subscription basis. Though helpful in tracking and collating information, these identifiers can also pose problems for those who are unaware of their shortcomings.

Inactive

Every physical location where "controlled substances are manufactured, distributed, imported, exported, or dispensed by a person" must be registered with the Drug Enforcement Agency (DEA).[1] Upon registration, the DEA assigns the institution an effective-dated identifier that remains active for a period of three years, after which point it is either renewed or retired.[2] Other databases, like HIN, 340B, and NCPDP have similar processes for identifier creation, extension, and expiration.

While ostensibly a straightforward procedure, complications arise because an institution's activity may not be aligned with its identifier status. Even though an identifier is inactive, the associated entity may still be in business at the same location or elsewhere, operating under a newly assigned identifier. This issue becomes further compounded when customers continue to submit invoices under outdated information, causing manufacturers to rely on data that is no longer valid for the sake of timely transaction processing.

OPERATIONAL CHALLENGES

Figure 1 – The charts below depict some of the ways in which customer identifiers can be inactivated for institutions and entities that are still open and purchasing products

DEA Number	Name	COT	Expiry Date	Address Line 1	City	Region	Zip
BW1863148	WARNICK, ROBERT E MD	C0	5/31/2019	3825 EDWARDS ROAD	CINCINNATI	OH	45209
BW8152249	WARNICK, ROBERT E MD	C0	5/31/2017	350 THOMAS MORE PARKWAY	CRESTVIEW HILLS	KY	41017

340B ID	Entity Name	Term Date	Address 1	City	State	Zip
DSH29118	THE REGION AL MEDICAL CENTER (TRMC)	7/1/2008	3000 ST. MATTHEWS ROAD	ORANGEBURG	SC	29118
DSH420068	THE REGIONAL MEDICAL CENTER (TRMC)		3000 ST. MATTHEWS ROAD	ORANGEBURG	SC	29118

Invalid

While revenue management continues to become more systematized in pharma, there are still a multitude of processes that are not automated. Data entry and maintenance of customer information in transactional systems can be exceedingly dependent on manual intervention. As a result, identifiers can be incorrect due to input error or misinterpretation by analysts at any point in the exchange of data between trading partners. This can be problematic as customers can be misidentified or interpreted as inactive, causing any associated transactions to be miscalculated. For example, Health Industry Numbers (HINs) commonly end with a suffix of two zeros, which can be mistaken for the letter "O" and cause them to be misrepresented in a manufacturer's data.

Figure 2 - The image below shows an example of how customer identifiers can be invalid due to manual error for institutions that are open and purchasing products

HIN	Entity Name	Address 1	City	State	Zip
K1QDK4Coo	St Vargas Rheumatology Clinic	1662 Higdon Ferry Rd Ste 100	Hot Springs National Park	AR	71913

Mapping

Due to Electronic Data Interchange (EDI) restrictions and/or system limitations, identifiers can be grouped in other fields nominally meant for different information. Since wholesalers frequently submit a DEA number or HIN as the primary identifier, the identifier for the 340B Drug Pricing Program is commonly missing or misplaced. In these instances, the 340B ID, instead of residing in a single dedicated area, is placed where space is available. This might be at the end of the customer name, or in an alternate address field. While better than not receiving the information, this can become challenging for manufacturers who rely on these identifiers to determine program eligibility. Over time, the data can itself become difficult to manage as individual field values do not match with their descriptions.

Figure 3 - The pictures below display examples of how certain customer identifiers can be inserted into other fields due to data mapping or systematic limitations

Name
Univ Of Texas Medical Dsh450018

Name	Address 1	Address 2
Taylor Regional Hospital 340b	17000 Old Lebanon Road	Dsh42718

Class of Trade

While classes of trade are the ultimate responsibility for government pricing teams, their assignment to customer records is often done by the membership or chargebacks team. This can prove to be a challenging process for manufacturers since their internal class of trade schema and methodology will likely differ from other sources.

Disagreement and Different Levels

Due to the differing perspectives, legal guidance, and procedures of industry stakeholders, classes of trade rarely agree between organizations. As a result, reference data sources, membership rosters and customer lists can have disparate classifications for the same entity. Even in cases where two assignments may align, the categorizations may be focused more broadly or specifically due to differences in the way the governing bodies makes customer classifications. For example, in regard to doctors, the DEA grants identifiers to practitioners at specific locations, while the HIN database bases it around the physical location itself. The classes of trade are assigned according to this methodology as well. As a result, neither database is incorrect in its classification of the customer's type; rather, they focus on different aspects of a particular institution.

Figure 4 - The tables below show examples of how classes of trade can be categorized differently between various reference data sources

Source	Name	Address Line 1	Address Line 2	SRC COT
GPO	AMERICAN OUTCOMES MGMT LP	36 W 37TH ST	5TH FL	HEALTH MISCELLANEOUS
DEA	AMERICAN OUTCOMES MGMT LP	36 W 37TH ST	5TH FL	RETAIL PHARMACY
NCPDP	AMERICAN OUTCOMES MGMT LP	36 W 37TH ST	5TH FL	HOME INFUSION THERAPY PROVIDER
HIN	AMERICAN OUTCOMES MGMT LP	36 W 37TH ST	5TH FL	CLINIC

Source	ID	Name	Class of Trade	Address	City	State	Zip
HIN	4EQXYNQ00	SMITH, KEN S MD OFFICE	CLINIC	2645 OCEAN AVE STE 305	SAN DIEGO	CA	94132
DEA	AY7384263	SMITH, KEN SANDERS MD	PRACTITIONER	2645 OCEAN AVE. STE 305	SAN DIEGO	CA	94132

BEST PRACTICES

Process Improvements

Given the myriad of operational challenges in managing membership, there are decisive, remedial actions pharmaceutical companies can take to minimize any negative impacts. By confronting the issues, manufacturers can mitigate data errors, increase efficiency, and decrease manual effort.

Data Reference Sources

Investing in reference databases allows manufacturers access to the latest customer information directly from the source. Most are available on a subscription basis and provide the ability to look up information through an online portal or download regular extracts. Each data source has strengths and weaknesses, so it's important to evaluate the options and determine where the most value is realized. Certain databases provide more detailed information than others and have different fields available; if access to multiple sources is acquired, it can be advantageous to selectively rely on the best information from each. The best combination of specific data usage and reference sources will vary for each manufacturer, given differences in size, customer base, product portfolio, and company goals. The key is not to identify "the" best practice, but the best practice for a given manufacturer.

Figure 5 - The table below lists some of the major reference data sources available for manufacturers to subscribe to in order to assist with management of customer information

Source	Identifiers	Customer Types	Cost
DEA	DEA	All	$
HIBCC	HIN 340B	All	$
HRSA (OPA)	340B	Eligible Customers	Free
NCPDP	NCPDP NPI	Pharmacies	$
HAYES	HAYES	Pharmacies	$
AHD	AHD	Hospitals	$
GS1	GLN	All	$

Data Formats

Although many of the codes, identifiers, and classifications used in pharma can seem arbitrary, generally there is a system used in their creation. Understanding how different values are generated elucidates their meaning, which can otherwise seem opaque. Much of this information can be found in online documentation provided by the governing reference data source. Customer identifiers, which can appear to be random strings of letters and numbers, are a good example of this. When analysts know how these values are formatted, they can more easily distinguish between different identifier and customer types, increasing their efficacy and productivity. Systematic checks and algorithms can also be built or incorporated into existing software to evaluate identifier legitimacy and bolster confidence in overall data validity.

Figure 6 - The steps below show how alphanumeric identifiers assigned by reference data sources and used by industry stakeholders have a set logic that dictates their format and indicates their content[3]

Example	DEA ID Methodology
DEA Number: MC2102111	2 letters, 6 numbers, and 1 check digit
M = Mid Level Practitioner C = Curtis, Sharon CALC135 = 2 + 0 + 1 = 3 CALC246 = (1 + 2 + 1) * 2 = 8 CHECK = 11	• The first letter is a code identifying the type of registrant • The second letter is the first letter of the registrant's last name • Of the seven digits that follow, the seventh digit is a "checksum" with the following steps: 1. Add together the first, third and fifth digits; call this CALC1,3,5 2. Add together the second, fourth and sixth digits and multiply the sum by 2, call this CALC2,4,6 3. Add CALC1,3,5 + CALC2,4,6 call this CHECK 4. The rightmost digit of CHECK (the digit in the ones place) is used as the check digit in the DEA number

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Regulations

As so much of the pharmaceutical industry is government regulated, understanding the existing and pending legislation is critical to long term success. While normally the concern only of government pricing teams, commercial operations can benefit from gaining familiarity with these regulations as well. For example, a membership manager at a 340B participating manufacturer would need to be acquainted with the rules around program eligibility to determine whether certain customers are able to purchase off of the associated contract. Not knowing that Disproportionate Share Hospitals (DSH) are prohibited from membership in a GPO can result in cherry picking or admin fee overpayment.[4] Similarly, not being familiar with the 340B orphan drug exclusion of certain hospital types can easily result in unnecessary chargebacks being paid.[5]

Understanding government practices extends to more granular, but no less important considerations around customer identifiers. Manufacturers often struggle with aligning doctor information to physical facilities, as individuals will often work at multiple locations concurrently or switch back and forth. Grasping the nuances in how government identifiers, like DEA and NPI, are assigned can help to demystify the data. For example, a doctor working at several different practices only needs to have one DEA number if medications are just being prescribed. However, a doctor working across state lines would need to have a DEA number for the practice in each state. This information, as well as the governmental policies, is also available online, usually from the organization charged with managing a particular process.

Class of Trade

While the disparate definitions and methodologies surrounding class of trade can be a hindrance to manufacturers, it can also be used to their advantage. Since each reference database and stakeholder classifies entities in different ways and to varying levels of specificity, leveraging certain sources in more focused capacities can be useful. The NCPDP database, for example, exclusively tracks pharmacy information, and as a result has a more detailed categorization of that customer type than other sources. In trying to determine the class of trade for their own customers, manufacturers can rely on a variety of sources to glean the most accurate and comprehensive information.

Figure 7 - The table below displays how some reference data sources can be more illustrative than others in helping to assign a class of trade to certain customer types

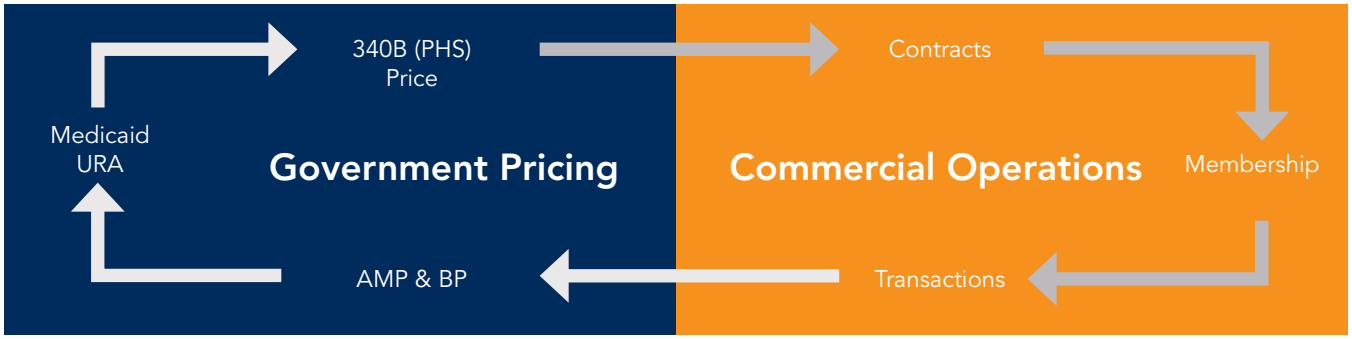
DEA	NCPDP	
Retail Pharmacy	Community/Retail Pharmacy	DME
Central Fill Pharmacy	Long Term Care Pharmacy	Clinic Pharmacy
Chain Pharmacy	Mail Order Pharmacy	Specialty Pharmacy
Automated Dispensing System	Home Infusion Therapy Provider	Nuclear Pharmacy
	Non-Pharmacy Dispensing Site	Military/U.S. Coast Guard Pharmacy
	Indian Health Service/Tribal/ Urban Indian Health	Compounding Pharmacy
	Department of Veterans Affairs Pharmacy	
	Institutional Pharmacy	
	Managed Care Organization Pharmacy	

Process Knowledge

Even within the sphere of revenue management, connected divisions within pharmaceutical manufacturers tend to operate in silos. Each group focuses on their tasks, often being only passingly familiar with the work of other groups performing in adjacent areas. Over time, this can have tangible consequences as individuals fail to understand the downstream impact of their actions or the method by which information is being provided to them. By breaking down these operational barriers, analysts and managers alike can understand the holistic importance of their job, allowing the entire process to work more cohesively.

For example, the process of confirming and assigning GPO membership in a revenue management system can seem rather self-contained, yet the resulting ripple is extensive when examined end-to-end. In associating customers with GPOs, indirect sales and chargebacks are processed according to these linkages. After a period of time, these transactions are filtered into GP calculations to produce an Average Manufacturer Price (AMP) and Best Price (BP). These reference prices are then used to set the Unit Rebate Amount (URA) for Medicaid reimbursement to states, and dictate how invoices are processed.[6] Later, this URA is then subtracted from the aforementioned AMP value to set the acquisition cost for 340B eligible entities, which is adjusted accordingly on the associated contracts.[7] Finally, these contracts are maintained in coordination with membership rosters to ensure that pricing is afforded correctly, and the cycle repeats. For an analyst assigning membership, understanding this process and its implications, even at a high level, can boost the efficiency of their work, reduce oversights, and encourage communication with other divisions.

Figure 8 - The image below depicts how membership management fits within the larger continuum of financial processes for a pharmaceutical manufacturer



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Systems

For membership management, data is the primary concern for manufacturers. Given the volume, frequency, inconsistency, and variability of customer information, investing in systems to help automate and standardize the process is critical. A Revenue Management System (RMS) can act as a repository for contracts and current membership rosters, and process affiliated transactions correctly. Additionally, due to the increasing complexity of industry, many manufacturers are finding it necessary to purchase companion systems focused solely on Master Data Management (MDM) to keep up with changes as they occur. A variety of consulting companies specialize in system implementation and can assist manufacturers with the process of setting up these platforms.

Next Steps

While a perfect solution for pharmaceutical membership management has yet to be created, adopting best practice procedures allows manufacturers to realize some benefits as opposed to none. Given that membership directly affects transaction processing, addressing as many issues as possible upstream mitigates potential revenue leakage, as well as the increased cost of finding and fixing those errors at a later time.

About the Author

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Mr. Blank's expertise lies in contracts, pricing, and reimbursement strategies and operations in the life sciences industry. He leverages his expertise to develop and execute revenue management and business process improvement plans for his clients.

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