



Continuing Education



Industry Basics: Current trends and issues

Learning Objectives

Describe the influence of managed care organizations on the pharmaceutical industry.

Explain how the pharmaceutical industry benefits society.

Describe major business trends within the pharmaceutical industry.

Explain the pharmaceutical industry's response to disease management.

Identify the skills health-care representatives require to succeed within their organizations.

This final article in a three-part series discusses major issues and trends currently influencing the pharmaceutical industry. Topics include the influence of managed care organizations upon the industry, the societal benefits of pharmaceutical products, current business trends within the industry, the influence of disease management on the industry and skills necessary for health-care representatives to succeed within the industry.

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Changes in the healthcare industry and in the world economy have created significant challenges for the pharmaceutical industry. Pharmaceutical companies' business and marketing strategies are changing to adjust to concerns facing healthcare providers. For example, managed care organizations (MCOs) are under pressure to deliver quality healthcare and contain costs. Both goals have a direct impact on pharmaceutical companies.

Prescription drugs account for about 14% of the operating expenses of the average HMO, and these costs receive close scrutiny by MCO administrators. MCOs have adopted a number of cost containment measures aimed at cutting pharmacy costs and ensuring appropriate use of medications, including the following:

- Tiered formularies that encourage patients to choose certain drugs by charging different levels of copays
- Requiring prescribers to use generic or less expensive medications first

- Requiring prior authorization for certain products that might be expensive or require monitoring
- Limiting quantities of drug dispensed
- Conducting periodic reviews of drug use to identify inappropriate patterns of prescribing

In addition, MCOs have engaged Pharmacy Benefit Management companies (PBMs) to negotiate with manufacturers for lower prices, higher discounts and more rebates.

Believing that pharmaceutical manufacturers can influence clinicians to prescribe unnecessary or unnecessarily expensive medications, some MCOs engage in counterdetailing—urging their own clinicians to prescribe less expensive (often generic) medications rather than branded products.

As part of a focus on quality, MCOs practice evidence-based medicine, which enables them to use medications more efficiently and safely, and produce better patient outcomes that lower the cost of care by minimizing visits to hospital

RECEIVE CREDIT AND RECOGNITION

Continuing Education in *Pharmaceutical Representative* aims to provide reps with information to help them meet the needs of the people they serve and to contribute to reps' personal and professional development. Every third issue includes a self-assessment quiz covering the previous three Continuing Education articles. The quiz for this article will appear in the March issue. Reps who correctly complete the quiz and return it to the CMR Institute with a nominal handling fee will receive a completion-recognition form showing that they have successfully completed the three-part educational series and earned .25 CEU (2.5 contact hours). The CMR Institute also will send a letter of recognition to reps' managers upon completion of a quarterly series. A Certificate of Achievement will be awarded to any representative who successfully completes four quizzes or has obtained 1.0 CEU.

Note: The Continuing Education quizzes are not part of CMR Institute's certification program and do not count as credits toward the CMR® designation.

About the CMR Institute:

The Certified Medical Representatives Institute is an independent non-profit educational organization established in 1966 to provide a source of professional development and certification for pharmaceutical representatives. The Institute provides an up-to-date, approved continuing education curriculum designed to expand and enhance internal company training and development in a cost-effective manner. The curriculum concentrates on providing a general knowledge base and avoids such areas as selling skills and specific product education.

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emergency rooms, decreasing the need for hospitalization or shortening hospital stays.

There are many ways in which the pharmaceutical industry can work with MCOs to their mutual benefit, including the following:

- Identifying cost-effective therapies. With their expertise in designing studies and analyzing results, pharmaceutical companies can conduct pharmacoeconomic analyses with data and treatment values provided by MCOs. Outcomes research can help MCOs evaluate their clinical treatment guidelines.
- Supporting the use of technology. Pharmaceutical companies can ensure coordination with e-prescribing systems so that clinicians can access complete and accurate information on the products they prescribe. They can also assist in the task of patient education.
- Delivering quality healthcare. Many pharmaceutical companies participate with healthcare institutions by providing expertise and discounting products used in disease management and preventive care programs.

Societal benefits

Because of the pricing challenges facing the pharmaceutical industry inside the U.S. and globally, it has become increasingly important for the industry to articulate the value it has delivered to society through its products. This value can be described in three dimensions.

Medical benefits. As the average life expectancy increases, so too does the number of people living with less pain and illness. Much of the credit must go to the pharmaceutical industry's part in the introduction of new and better forms of drug treatments. Other advances and innovations that have helped to extend patients' life spans include products to treat HIV/AIDS and cancer. Due to diagnostic techniques and innovative medications, cancer has become more of a "chronic disease." Pharmaceutical companies are also developing new treatments and formulations for malaria, which causes more than a million deaths annually. The Orphan Drug Act resulted in 121 orphan drug designations in 2005. Orphan indications also have been approved for existing drugs to treat indications such as rare forms of cancer and pediatric Crohn's disease.

Economic benefits. Pharmaceutical products have played an important economic role by providing methods of treatment proven to be cost-effective. The study of pharmacoeconomics has revolutionized the understanding of cost savings and cost offsets associated with the total healthcare expenditures for a disease. While direct medical costs include factors such as the cost of physicians and nursing time, hospitalization and medications, there are also indirect costs to consider, such as lost earnings and lost productivity due to patient absences from work. Many expensive treatments,

Responsibilities of healthcare representatives



- Awareness of managed care trends
- Customer service
- Partnering skills
- Negotiation skills
- Communication skills
- Teamwork
- Financial knowledge
- Strategic business planning
- Internet skills

such as surgery, have been replaced by less costly drug therapy; this has the added benefit of either eliminating or cutting hospital stays, thereby cutting costs further.

Humanistic benefits. Prescription medicines have also improved patients' quality of life. Disability rates among the elderly have declined by 25%—in part, because of medications. Senior citizens are more able to enjoy their retirement years. Children who can control the symptoms of asthma through medication can participate more fully in educational and recreational activities. Likewise, their parents spend less time in medical offices and hospitals seeking emergency treatment. Patients who can control their blood sugar levels with the help of medication can avoid the development of comorbidities that cause blindness or necessitate amputation of limbs.

Business trends

Some major trends within the pharmaceutical industry include strategic alliances, regional business units and the inclusion of complementary or alternative medicine. Many pharmaceutical companies have created strategic alliances with the following types of companies:

- **Competitors.** One company may be able to offer a complementary product mix, while the other company offers the services of an underutilized sales force. Agreements to comarket or copromote products are also common forms of alliances.
- **PBMs.** Some pharmaceutical companies have formed strategic alliances with PBMs to share data and possibly develop programs and services for healthcare organizations.
- **Health plans.** Pharmaceutical companies have developed contracts (called carve-outs) with health plans whereby the pharmaceutical company contracts to manage all aspects of a health plan's drug therapy in a particular disease state for a prenegotiated fee.
- **Biotech companies.** Small biotech companies, in need of significant capital and good management, are aligning with larger pharmaceutical companies. Several large pharmaceutical companies have already incorporated biotechnology-oriented research into their product development teams.

Some pharmaceutical companies have decentralized their marketing and sales structures and reorganized themselves into regional business units (RBUs). Each RBU is responsible for maintaining and increasing its profitability. The goal of RBUs is to provide customized services on a local basis. The key element of RBUs is that they have decision-making authority in several areas that were previously limited to headquarters. Some of these functions include contracting with MCOs, negotiating to gain formulary approval for products

and responding to customer questions or complaints. Other RBU responsibilities may include pricing, legal and governmental affairs, quality assurance, advertising and promotional materials, disease management programs and budgeting.

Several pharmaceutical companies are diversifying their product lines by adding products for complementary or alternative medicine to meet the growing consumer interest in such products.

It has become increasingly important for the industry to articulate the value it has delivered to society

Complementary or alternative medicine may involve the use of dietary supplements, herbal products and other therapies, including massage, magnets, biofeedback, light and acupuncture. Of most interest to the pharmaceutical industry are the dietary supplements and herbal products that may be sold in competition with products they have developed for treating diseases such as Alzheimer's, cancer and heart disease.

Disease management influence

The healthcare industry has revised its traditional approach to disease, focusing now on managing the entire course of a disease (disease management), rather than treating acute episodes. Disease management considers the full spectrum of patient care and implements overall methods for managing certain diseases in the most appropriate and cost-effective manner, across all departments and medical specialties. However, because of the extensive resources needed to implement a comprehensive disease management program, many healthcare organizations are looking to outside sources, such as pharmaceutical companies, to provide disease management services. Many major pharmaceutical companies have a disease management component in their national accounts division.

Some pharmaceutical companies have formed partnerships with other companies involved in disease management. For example, several small businesses have developed clinical practice guidelines for specific disease states, such as asthma and diabetes. Pharmaceutical companies may partner with these smaller organizations and offer their substantial marketing and sales resources in return for use of the clinical practice guidelines. PBMs also have proven to be useful partners because of their experience managing the pharmacy benefit and tracking medication use. Their databases

Article Summary

- **Managed care organizations are under pressure to deliver quality healthcare while at the same time containing costs.**
 - Both goals have a direct impact on pharmaceutical companies.
- **Because of the pricing challenges facing the pharmaceutical industry, it has become increasingly important for the industry to articulate the value it has delivered to society through its products.**
- **Major trends within the pharmaceutical industry include strategic alliances, regional business units and the inclusion of complementary or alternative medicine.**
- **Many healthcare organizations are looking to outside sources, such as pharmaceutical companies, to provide disease management services.**
- **Today's healthcare representative is often responsible for "pulling through" a pharmaceutical company's contract with a healthcare organization rather than "pushing" products.**
 - Healthcare representatives require many skills to grow and succeed within their organizations.

also provide valuable information.

Pharmaceutical companies may also sponsor outcomes research. Outcomes research investigates ways to improve patient health through interventions such as drugs, medical procedures and behavior-modification strategies. The initial focus of outcomes research—identifying who lived or died as a result of treatments they received—is gradually developing into a more proactive focus on identifying which treatment methods are most effective in reducing patient symptoms or producing cures. Outcomes research also includes information from patients' assessments of their own health and services they have received.

Outcomes research sponsored by pharmaceutical companies may focus on identifying high-risk patients for specific chronic diseases, such as asthma, cardiovascular disease, diabetes, Alzheimer's disease and depression. Analyzing the use of drugs to treat the ambulatory elderly is very new in geriatric outcomes research and can provide many benefits. Treating the patient with the appropriate medications can result in keeping a patient at home longer, thus saving a great deal of money and enhancing the patient's quality of life.

Necessary skills

Today's healthcare representative is often responsible for "pulling through" a pharmaceutical company's contract with a healthcare organization. This means that representatives should focus on activities that draw customers to them—such as building relationships that encourage customers to call and request information or services—rather than on activities that "push" products.

Healthcare representatives require the following skills to grow and succeed within their organizations:

Awareness of key managed care accounts. Healthcare representatives must identify the key MCOs in their territories in terms of potential business prospects. This involves developing a profile of potential MCO targets and a compilation of clinical and economic issues.

Customer service. Healthcare representatives must be able to knowledgeably address any customer issues that may arise and communicate these issues to the relevant personnel within the pharmaceutical company.

Effective partnering. As a partner in the delivery of healthcare, healthcare representatives must take personal responsibility for results by:

- Setting high performance standards
- Evaluating the success of products and services in meeting customer needs
- Taking responsibility if the customer is not satisfied
- Following through on customer requests.

Negotiation and communication skills. Field representatives are in a position to find out about key issues and personnel within an MCO. They can find out which quality measures may be problematic for the MCO, what their goals are for disease management and their needs in the area of data analysis. An awareness of these issues can help the team prepare a negotiating strategy that will benefit both the MCO and the pharmaceutical company.

Teamwork. To provide guidance and solutions to healthcare customers, healthcare representatives are likely to participate in teams. Consequently, today's healthcare representative needs excellent communication skills, organizational capabilities and the ability to work with others to achieve a long-term objective.

Financial skills and strategic planning. Many healthcare representatives are likely to be given greater responsibilities for determining how budget dollars are spent, handling customer requests and planning promotional events in their region or territory. This will require business skills such as writing a business plan, preparing a budget and accurately tracking costs.

Internet skills. If used wisely, the Internet can be a valuable resource for medical information that may be needed to provide a competitive edge. Representatives can use the Internet to:

- Obtain information needed to respond to healthcare professionals' questions
- Increase knowledge about current events, such as new products receiving approval or updates on their products and competitive products
- Interact with busy healthcare professionals who resist meeting face-to-face with representatives.

The next series of articles will discuss contemporary pharmacoeconomics.