



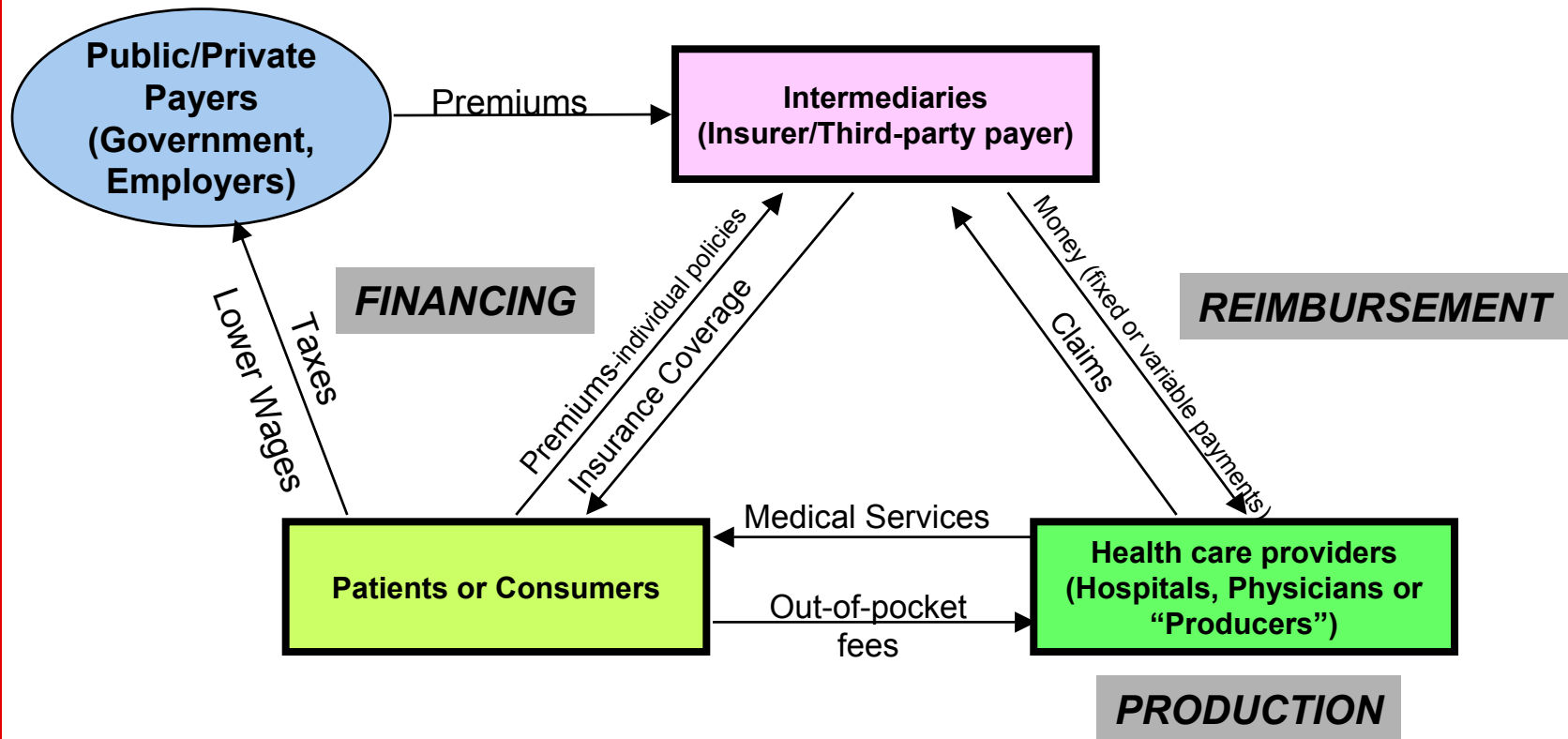
# Disease Management and the Medicare Drug Benefit: Opportunities and Threats for the Pharmaceutical Industry

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Healthcare Systems Marketing  
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# Agenda

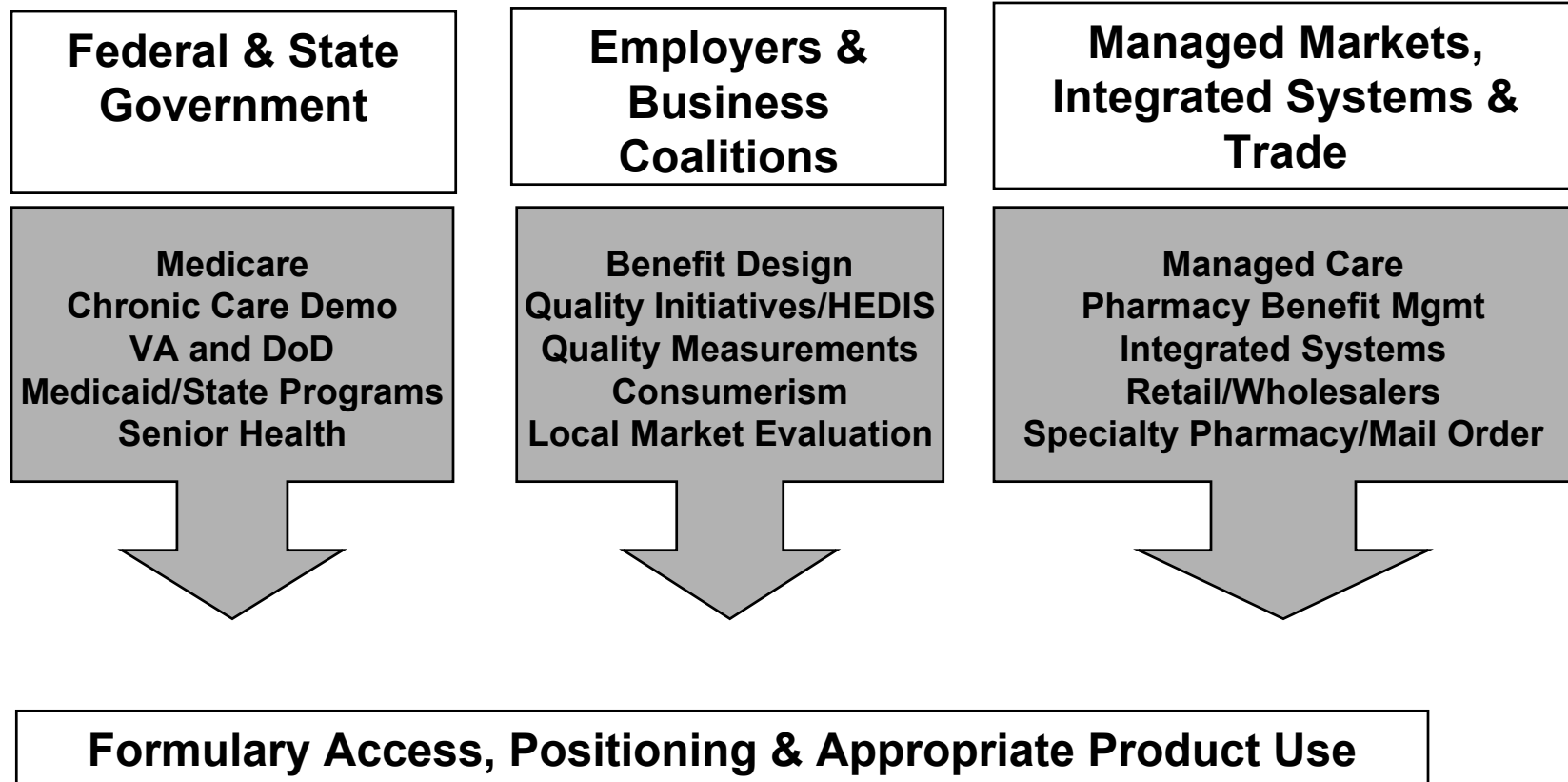
- Stakeholders
- Trends
- Incentive alignment
- Opportunities
- Potential Threats to Success

# Health Care System Stakeholders



Source: Adapted from Santerre & Neun, *Health Economics: Theories, Insights, and Industry Studies*

# Pharma's Interest in DM and Medicare



# Managed Markets Customer Segments



# Population >65 To Exceed 55 Million by 2020

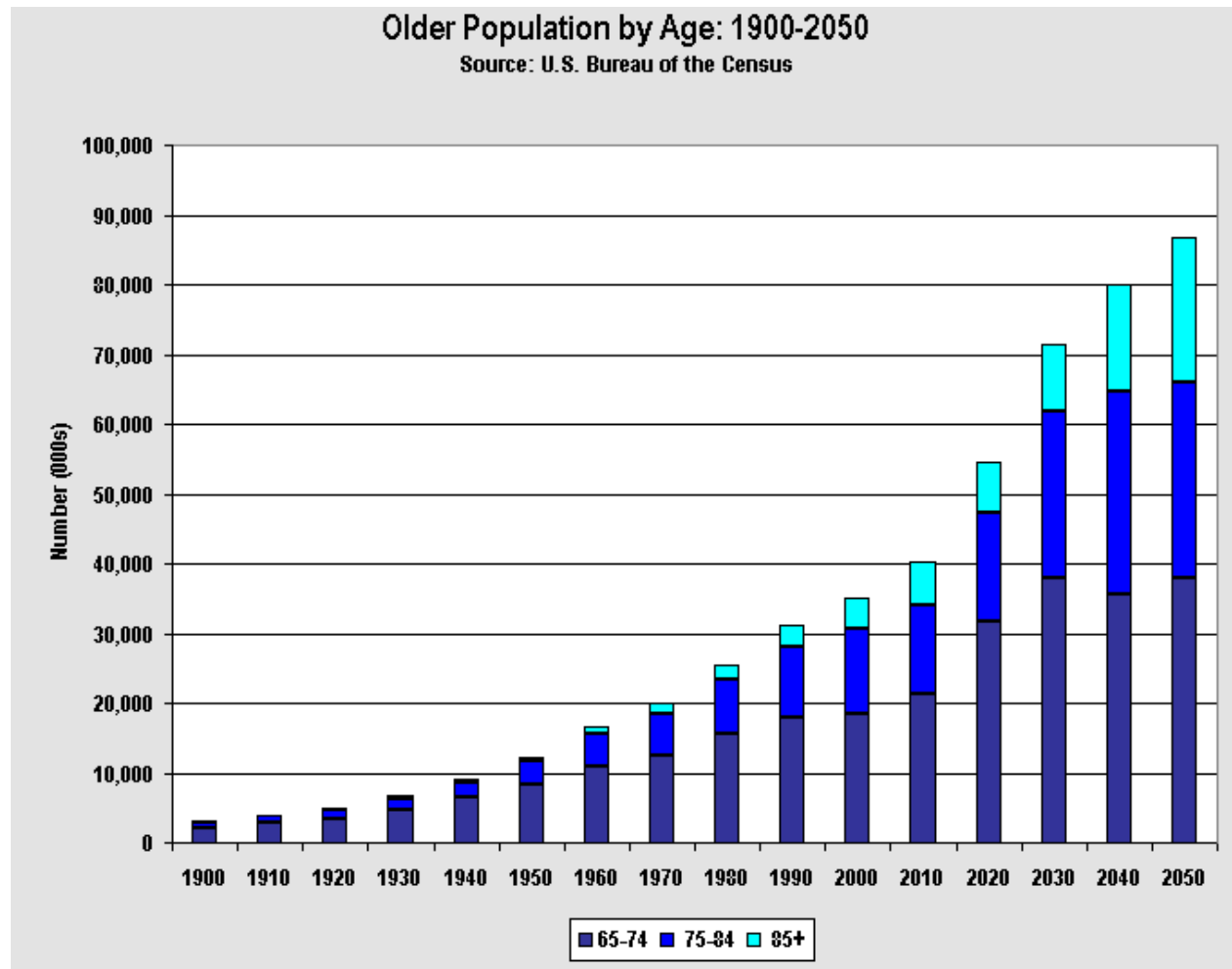
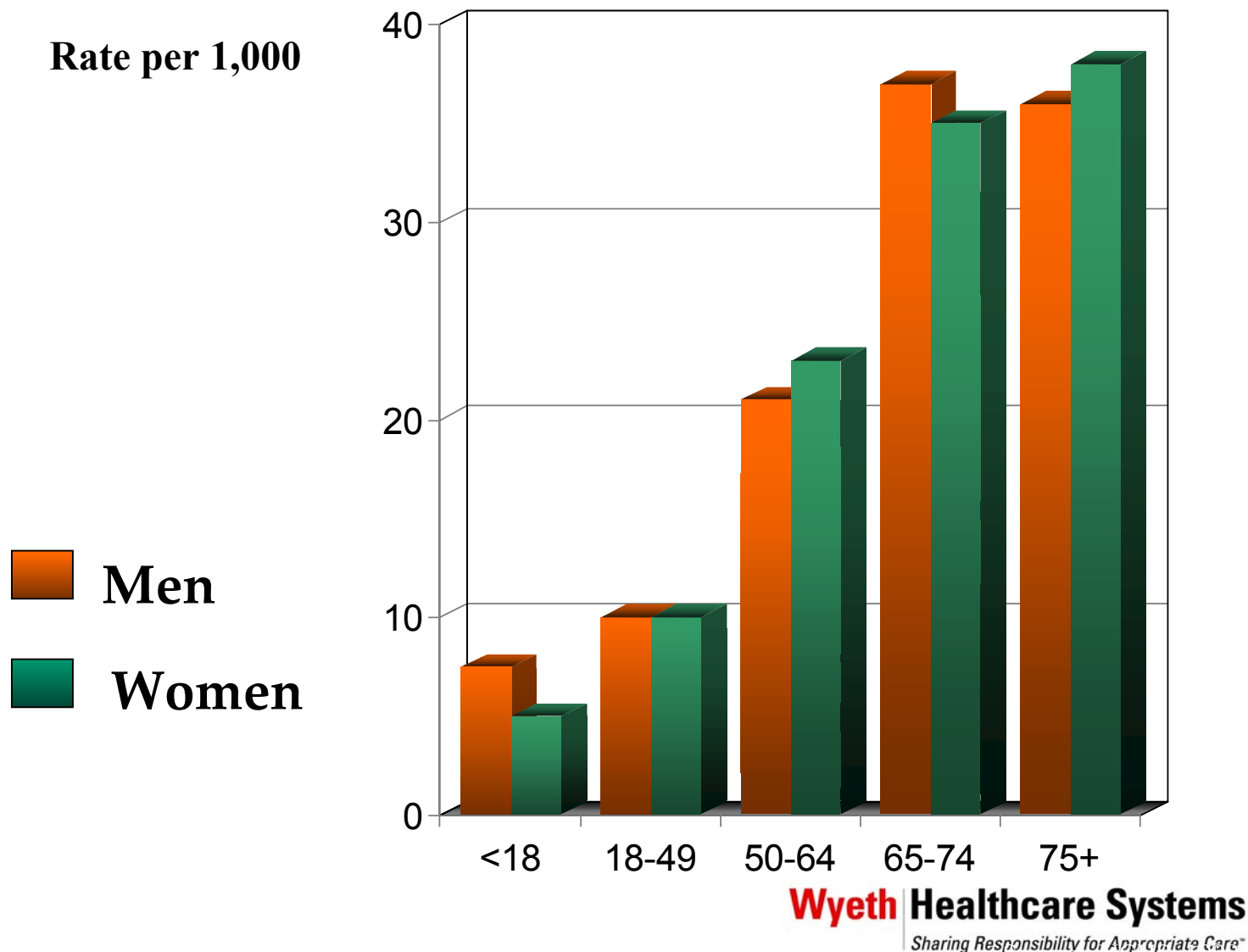


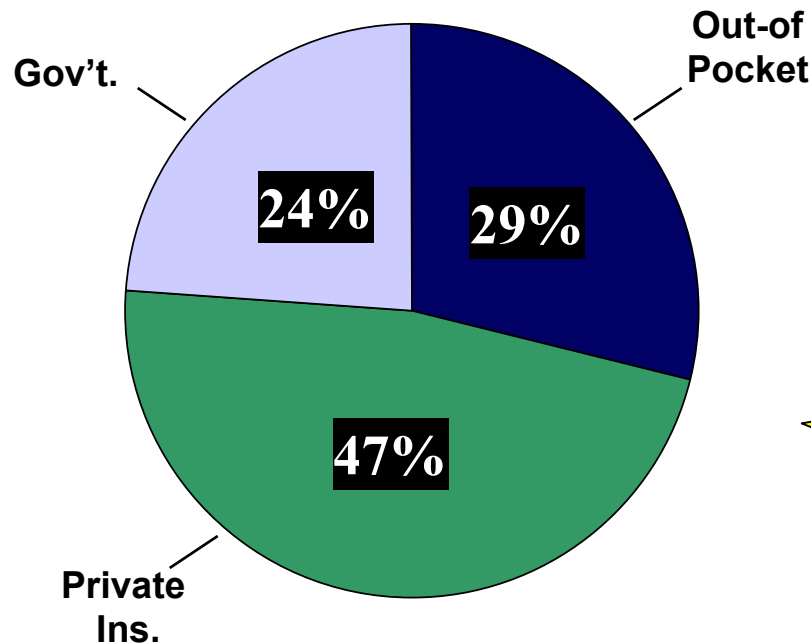
Table compiled by the U.S. Administration on Aging based on data from the U.S. Census Bureau.

# Chronic Conditions Preval

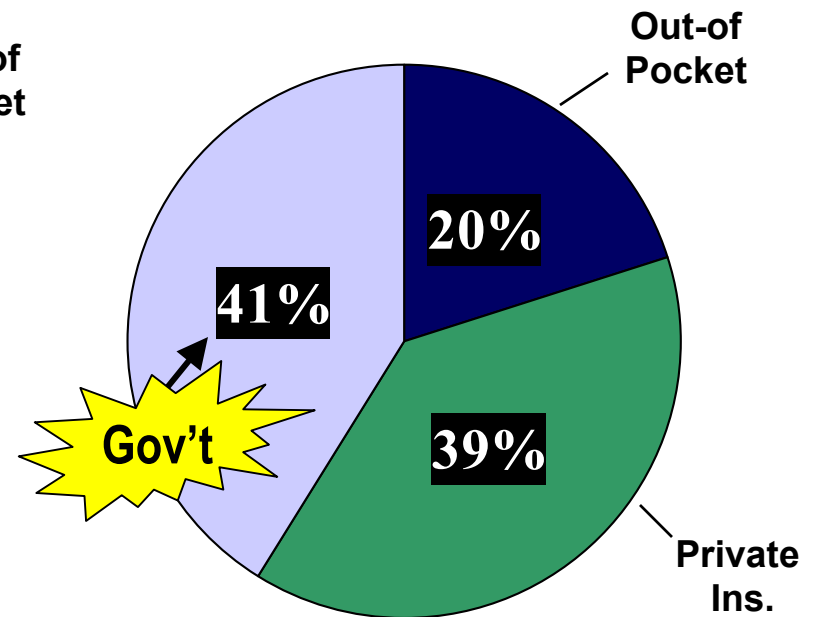


# Government Focus on Quality, Cost and Value Driving Change

**2005**



**2006**



Source: CMS



# **MMA Impact on the Healthcare System is Significant**

- **39,582,287 US Medicare Enrollees (2002CMS Data)**
- **58% of Physician Services**
- **77% of Prescription Medicines**
- **61% of OTC Drugs**
- **64% of Personal Healthcare Spending**
- **55% of Hospital Revenues**

# Medicare Under the Microscope

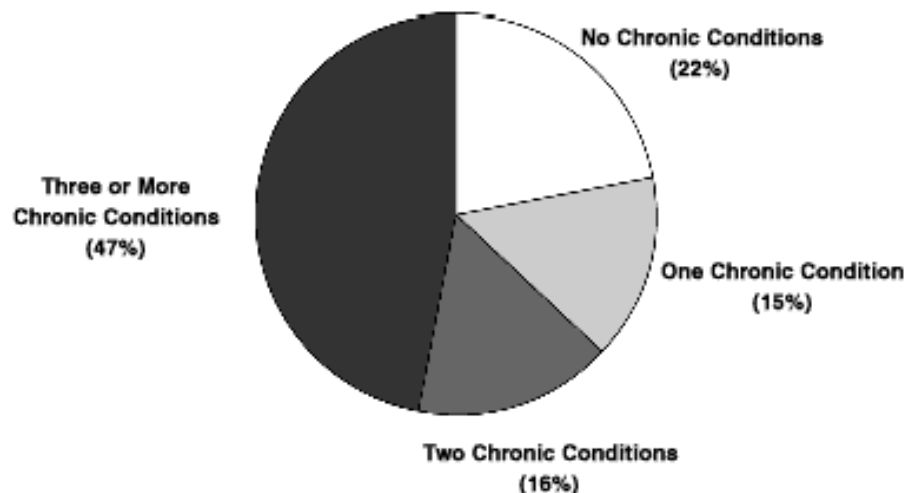
- Concern about costs
- Focus on quality & value for the investment
- Disease prevention important to public health of US
- Government direction likely to influence commercial marketplace

# 63% of Medicare Beneficiaries Present with >2 Chronic Conditions

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**FIGURE 3.**  
**PERCENTAGE OF MEDICARE BENEFICIARIES WITH CHRONIC CONDITIONS**

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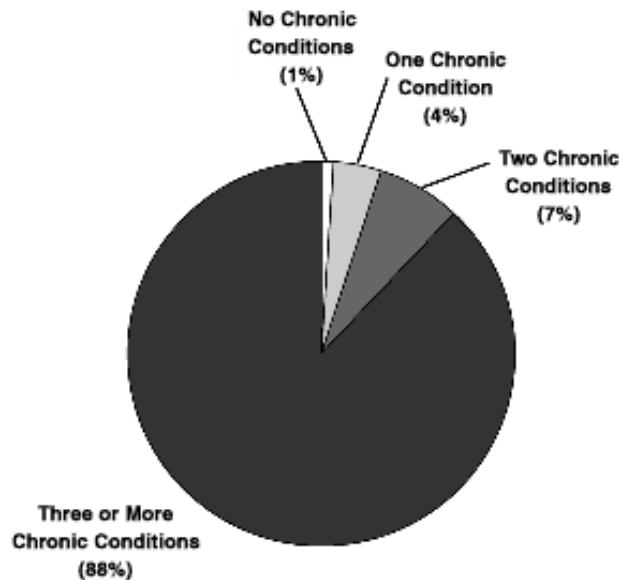
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SOURCE: Congressional Budget Office based on the statement of Gerard Anderson, Director, Robert Wood Johnson Foundation, Partnership for Solutions: Better Lives for People with Chronic Conditions, before the Subcommittee on Health of the House Committee on Ways and Means, April 16, 2002.

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# And Beneficiaries with >3 Chronic Conditions Comprise 88% of Spending

**FIGURE 4.**  
**DISTRIBUTION OF MEDICARE SPENDING BY NUMBER OF BENEFICIARIES' CHRONIC CONDITIONS**



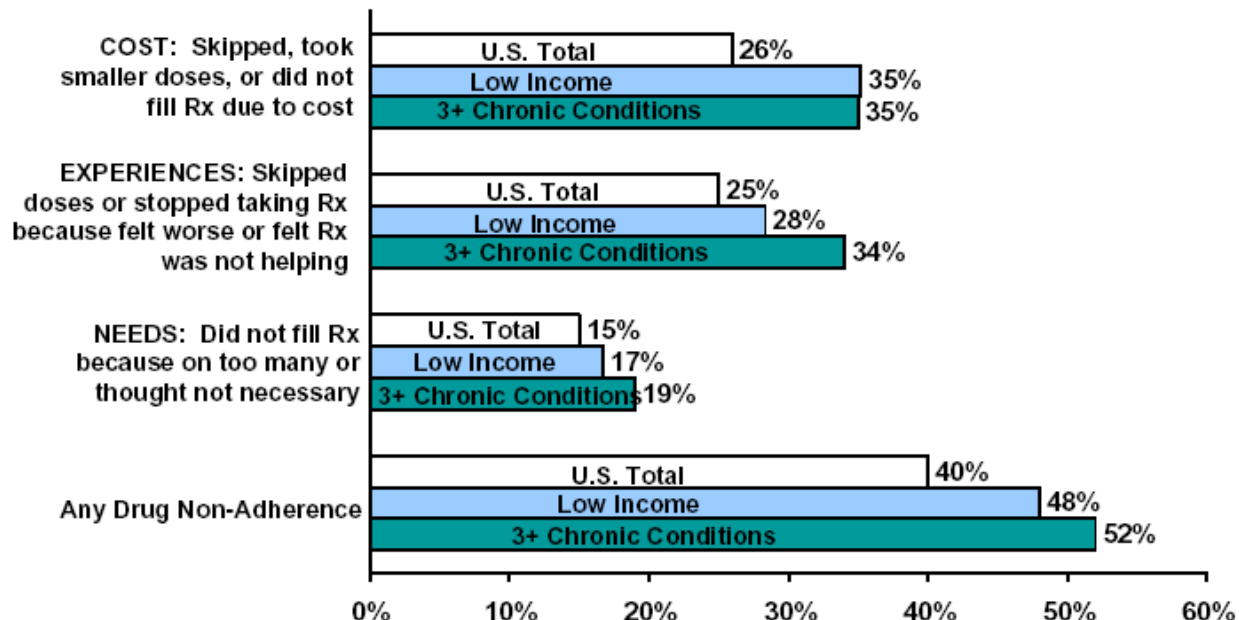
SOURCE: Congressional Budget Office based on the statement of Gerard Anderson, Director, Robert Wood Johnson Foundation, Partnership for Solutions: Better Lives for People with Chronic Conditions, before the Subcommittee on Health of the House Committee on Ways and Means, April 16, 2002.

# Medication Adherence Critical Issue with Seniors on Multiple Medicines

**Two of five seniors report not taking medications as prescribed**

Poor experiences with drugs and costs contribute to non-adherence

Percent of seniors who say they:

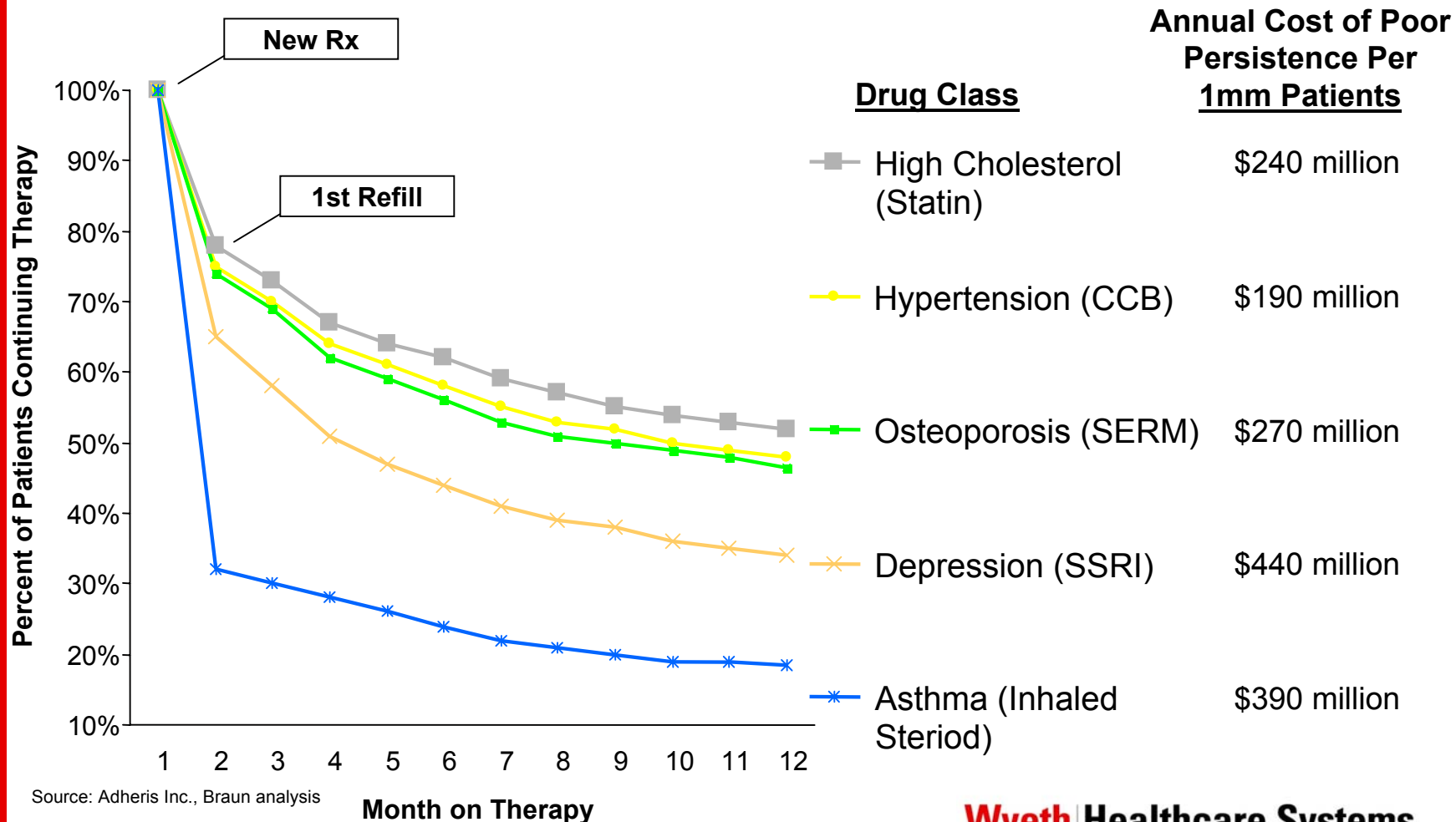


**Note:** Rx = prescription medication. Low income is 200 percent of the federal poverty or less.

**SOURCE:** Kaiser/Commonwealth/Tufts-New England Medical Center 2003 National Survey of Seniors and Prescription Drugs.

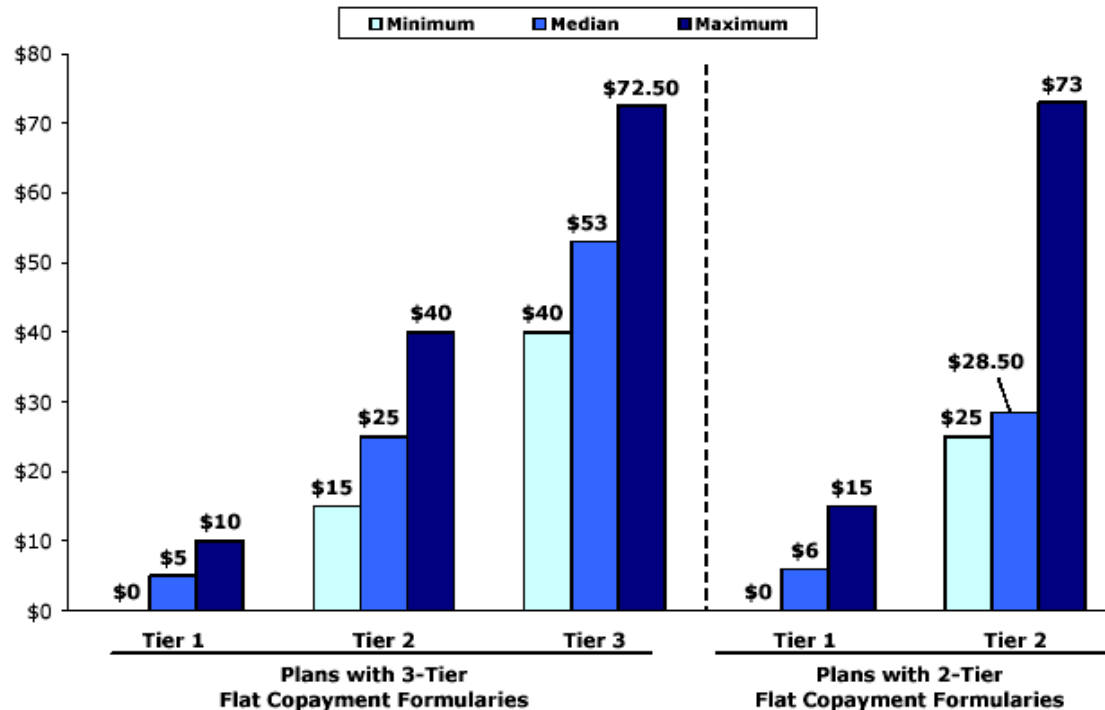
# Poor Persistency is Common and Costly

*Across classes, 20-35% loss in patient base after fill of initial prescription*



# Impact of Cost-Sharing Needs to Be Watched Carefully

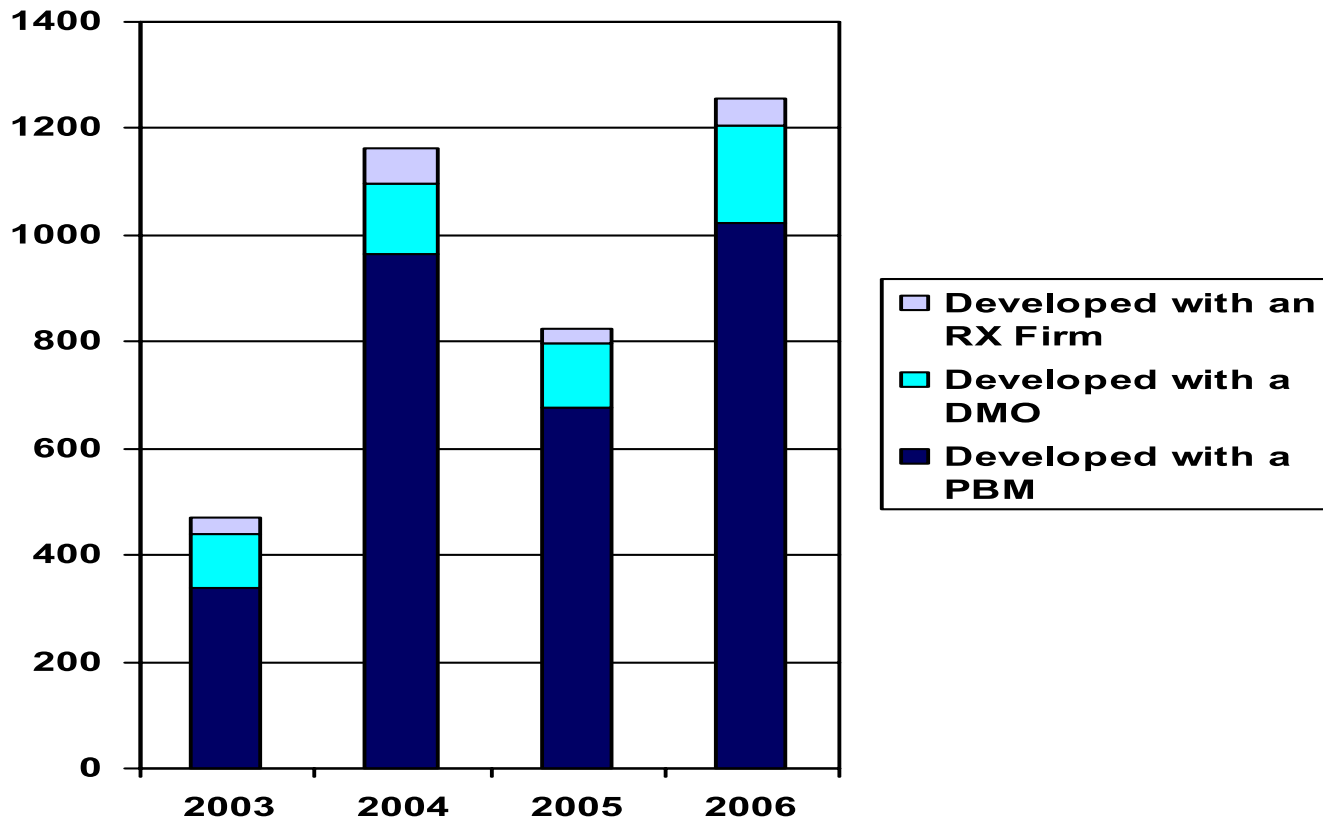
**EXHIBIT 5: Cost Sharing for Covered Drugs by Formulary Tier**  
*Medicare Drug Plans with 2-Tier and 3-Tier Flat Copayment Formularies*



NOTE: Exhibit excludes six plans that use some form of coinsurance for at least one of their formulary tiers (other than the specialty tier).

SOURCE: Authors' analysis of drug coverage in stand-alone PDPs offered by 14 national and near-national organizations; data from Medicare.gov.

# DM Activity- But How Much is Collaborative & Integrated



Source: HIRC 2006 Health & Disease Management Service

**Wyeth Healthcare Systems**  
Sharing Responsibility for Appropriate Care™

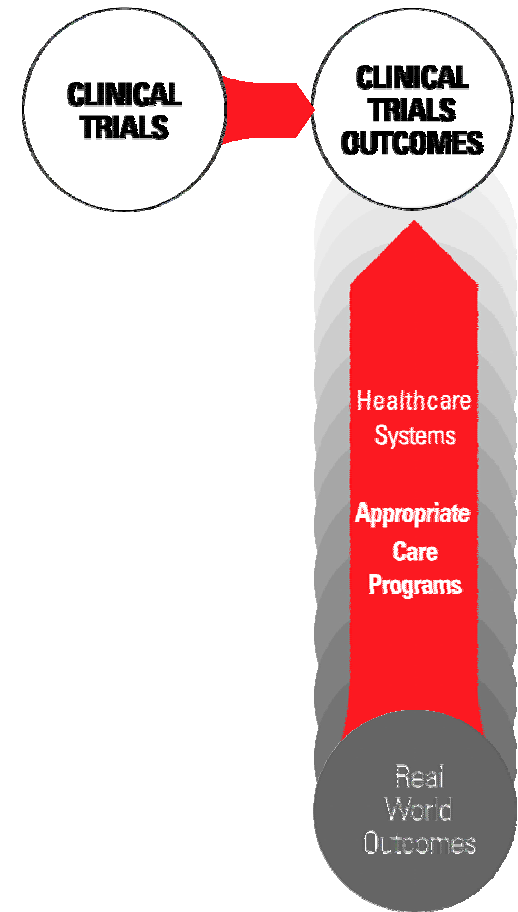


# Critical Incentives Are Aligned Among Stakeholders

- 3 Primary Drivers of Pharmaceutical Business
  - ✓ Increase treatment of “undiagnosed”
  - ✓ Improve medication adherence
  - Successfully acquire business from competitor

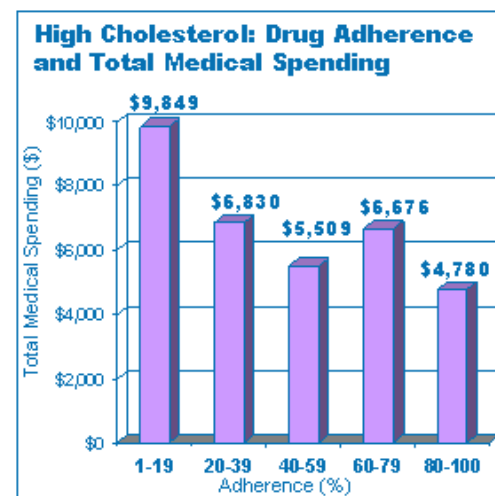
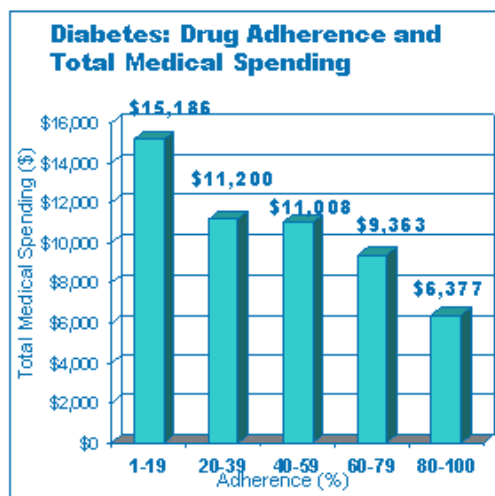
# We All Strive to Attain Clinical Trials Outcomes – Collaboration is Key

- Meaningful initiatives to help increase medication compliance
  - Provider education
  - Patient education
- Integrated programs can help improve real-world results.
- Patient health outcomes can be optimized over the long term.
- Real-world outcomes can approach those realized in clinical trials.



# Patient Adherence Reduces Overall Medical Costs

**Increased Medicine Adherence Can Reduce Overall Medical Costs:  
Diabetes and Hypercholesterolemia**



Source: M.C. Sokol, K.A. McGuigan, R.R. Verbrugge, R.S. Epstein, "Impact of Medication Adherence on Hospitalization Risk and Healthcare Cost," Medical Care, 43 (2005): 6, 521-530.

# But There are Issues

- **Silos and fragmentation of the care delivery process persist**
- **Companies that have significant franchises in a disease have been supporters;**
  - Others will need to step up to maximize impact to the masses
- **Many programs stop at providing educational literature**
  - More is needed to improve patient outcomes
- **Pharma goals are to increase appropriate use, compliance, brand and corporate loyalty, and ultimately market share**
  - Conflicts between “Unbranded for all” vs. “Programs supporting specific product”
  - Some programs don’t meet needs of health plan or payor
- **Degree to which DMP are incorporated into marketing budgets still lacking for many companies**
  - Similar issues as seen in DM industry regarding demonstrating value for investment

# Opportunities

- Collaborative care models with all stakeholders
- Medication Adherence
- Partnering with Health Plans & Payers
- Partnering with DM companies and promoting new programs and tools (both ways)
- Designing patient and provider support programs that complement DM programs
- Opportunities for manufacturers to demonstrate the value of pharmaceutical therapy with MA-PDs that will focus on overall healthcare cost and quality
- Partnering to prove benefit of DM

# Threats

- Failure to deliver value proposition to stakeholders
- Continued silo approach to health and disease management
- Incentives not aligned to promote disease prevention and patient treatment support
- Failure to design acceptable and effective patient treatment support programs
- Reluctance to accept industry support programs for patients on their products

# What Can We Do Now ?

- **Look for ways to work together with the patient as the central focus**
  - Guide pharma in designing patient support programs
  - Look for ways to include pharma programs in DM support for health plans
  - Include as a measure of success, the extent to which you have aligned and incorporated all stakeholders in the process
- **Design programs that address needs of both the 20/80 and the 80/20**
- **Promote research to aid in the design of programs that improve patient self-management of conditions and appropriate medication use in the elderly**
- **Contribute to the design of programs where each stakeholder has a role**
- **Measure results, share and incorporate the learning**

# Where Will The Market Take Us?

