Managed Care: No Longer the Overlooked Stepchild of Pharma
Managed Care

Abstract:
Segregated and paid relatively little attention to, like the overlooked stepchild of pharma, the managed care account executive has been relatively underserved by traditional CRM vendors. Highly specialized, with unique needs all its own, the managed care market doesn’t fit neatly into common prepackaged automation systems. Consequently, as the industry has grown from a mostly detailing process with physicians to a more consultative and strategic process with major accounts, the managed care AE has been left without the tools to effectively work amidst this new dynamic. A CRM system designed specifically for this area would solve the problem, improve information sharing and decision-making, and make managed care a more efficient, more effective arm of the entire organization. The following paper discusses how the managed care market has been relatively underserved by traditional CRM vendors, the unique needs of the managed care AE, and finally highlights how SaaS technology makes the development, deployment, and maintenance of market-specific software affordable to underserved markets, like managed care, so that the managed care AE no longer need to be viewed as the overlooked stepchild of pharma.

Introduction:
For decades, managed care account managers have been segmented. They have been building relationships with major accounts from a remote pharmaceutical island, cut-off from the rest of the company. It has been hard for this group, especially without a relevant customer relationship management (CRM) system like the one that supports the rest of the sales force. On the other hand, it has been fun. Without any consistent way to track managed care account executive’s (AEs’) activities, they have enjoyed more freedom with less oversight from headquarters.

“So far, so good” has largely been the acceptable attitude of pharmaceutical executives...until recently. Now managed care, along with the rest of the pharmaceutical entity, is under fire. But unlike the rest of the company, managed care has very little record of past activities, and no performance benchmark. That’s because managed care has been grossly underserved by IT.

Analysts agree. A recent research report from Gartner Group reports that the managed care market has been relatively underserved by traditional CRM vendors. Why? Simply put, managed care is a highly specialized area with very unique needs that don’t neatly fit into common prepackaged sales automation systems. As an example, formulary management is not a component found in many sales systems but it’s vital for managed care AEs who are on the front lines vying for a better formulary position. In addition, managed care AEs don’t spend their workdays cold-calling dozens of prospects, yet call reporting is usually a large part of a typical sales system. Generalist systems simply don’t offer the unique tools managed care AEs need.

The reason for the so-called discrimination comes down to money. Managed care is not only a highly specialized area, but it is also relatively small. Depending on the size of the pharmaceutical company, managed care groups range in size anywhere from 30 to 200 employees – typically a very small percentage of the overall organization. With such a low number of users, technology companies have not been willing to make the necessary investment in R&D to develop a specialized system for managed care. It’s simply not profitable.

But, things are changing. Technology is changing. Most importantly, the healthcare world is changing, requiring pharmaceutical executives to take a closer look at their managed care teams. For pharmaceutical companies to remain competitive today, managed care AEs can no longer be the red-headed stepchild of the organization. They must finally be reunited with the parent company...and all her offspring.

The Software as a Service (SaaS) model has fundamentally changed the economics of deploying a powerful yet tailored application to a small number of users.

IT departments have custom-developed proprietary systems but these home-grown systems have only solved some of the problems and are pricey. Vendor-supplied specialized systems have simply been out-of-reach – until recently.

The Family That Stays Together, Succeeds Together
Beyond simply wanting to provide managed care AEs with better tools to do their jobs more efficiently, there are many pressing reasons why it has become mission critical to reign in the wayward managed care AEs. According to Gartner Research Vice President Dale Hagemeyer whose focus is on the life sciences industry, “managed care performance is becoming increasingly important to the overall health of a pharmaceutical company as both the regulatory environment and demographics continue to shift. Most important is that managed care is often overlooked by pharma when it comes to CRM tools. They often purchase a solution that is not optimal for managed care.”

One of the biggest reasons to upgrade the systems for managed care AEs is the unsettling state of flux that pharmaceutical companies now struggle with ever since Congress and the current Administration began focusing on healthcare reform. Already 33 states have enacted legislation that is draining the coffers of some pharmaceutical giants.

Pressure to do more with less
Under the oppressive shadow of what is the most fiercely regulated industry in the U.S., pharmaceutical companies are watching their product margins being eroded, while coming under pressure to reduce product prices to compete with generics and satisfy consumers. Add to this, the fact that the “arms race” is officially over, and executives are finding it harder than ever to increase revenue. Hiring more sales reps no longer translates into more sales so formulary status has become the next big lever executives can pull in an effort to improve sales.
With pressure mounting, executives are forced to dig deep to root out inefficiency and maximize return on investment. And the further they dig, the more problems they find, especially in managed care where AEs have been working in a vacuum. Plus, with formulary status more important than ever, pharmaceutical executives must take a closer look at the activities of their managed care AEs and find ways to help them improve their efficiency and effectiveness.

"With the rising costs of healthcare and increased financial responsibility on the consumer, formulary position is critically linked to pharma success," says Brian Bamberger, senior vice president of MediMedia Managed Care Group, the industry’s leading provider of formulary data.

To sell to today’s price-sensitive consumers, pharmaceutical companies must secure the best formulary position for all their products. Failure to do so translates directly into loss of revenue. Pharmaceutical companies simply cannot afford to jeopardize formulary position due to ill-prepared or ill-equipped managed care AEs.

Managed care battles with generics

Generic drug producers make stiff competition in an age of wiser, more cost-conscious consumers. Once again, the brand-name pharmaceutical company becomes dependent on formulary position to compete with low-priced generics.

Consumers are routinely offered to switch from a brand-name to a generic drug and take advantage of the lower co-pay. So it’s up to the managed care AE to battle it out and secure the best formulary position for the drug – given the rest of the marketing mix and competitive environment. It has always been this way, but now with formulary position so important to the overall success of the company, pharmaceutical executives need a tool to connect the activities of the managed care AE and formulary status. The same is true when it comes to reimbursement rates for injectable drugs.

"Approximately 70% of all prescriptions go through an intense PBDM formulary and reimbursement adjudication process at retail for managed care organizations, providers, and payers serving patients," says Larry Green, president of Publicis Managed Markets, a comprehensive services provider for managed markets. "How successful the MCO is in this process affects the providers’ and/or patients’ managed markets. "How successful the MCO is in this process affects the providers’ and/or patients’ drug choice. It’s absolutely critical to get this right."

Bring Back Pharma’s Prodigal Son with the Gift of New Technology

Traditional pharmaceutical CRM systems have been tailored to help 95% of the sales force, those calling on individual physicians and hospitals. The other 5% are the managed care AEs who sell to major accounts. The two are very different animals.

"In the not so distant past, CRM systems were focused primarily on the needs of pharma salespeople in the physician channel," says Green of Publicis Managed Markets. "But the industry has grown from a mostly detailing process with physicians to a more consultative and strategic process with major accounts where the account executive has multiple touch points within one account or health plan. He is dealing with a longer sales cycle, and multiple buyers and committees (like P&T committees) - essentially becoming the quarterback between the plan and the pharmaceutical entity."

Green continues, “traditional CRM tools never really worked effectively for this group. You need a very specific platform designed to meet the needs of managed care executives working amidst this new dynamic.”

Indeed, pharmaceutical executives recognize that they must do something to better support managed care, but what? In some cases, IT departments have custom-developed proprietary systems but these systems have simply been out-of-reach – until recently.

Finally, there is new technology that has made the development, deployment, and maintenance of market-specific software affordable. The new Software as a Service (SaaS) model has fundamentally changed the economics of deploying a powerful yet tailored application to a small number of users. SaaS applications are built on a shared infrastructure, accessible through a web browser. Think of the simplicity of Google. All user activities are managed from a central location rather than at each user’s site, enabling them to access applications remotely via the Web. It also means that the host handles all maintenance and upgrades to the system so the users do not have to get their IT departments involved.

Most important, SaaS makes development of specialized programs much less expensive and much easier to use. “SaaS has proven itself as cost effective while delivering against industry requirements in many sectors and can now do so in managed care,” said Gartner's Hagemeyer. This gives pharmas more choices, which is always a good thing.”

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Consumers more involved than ever

Today industry pundits can’t read a pharmaceutical blog or article without seeing the word “consumerism,” and that’s because this growing trend affects nearly every department in a pharmaceutical company. Managed care is no exception.

Health care costs currently account for more than 15 percent of the nation’s gross domestic product, and health insurance premiums continue to grow at double-digit rates (11.2 percent in 2004). Escalating premiums are also forcing employers to reduce benefits, shift more cost to employees, or drop coverage entirely. Until recently, poor access to information and little control over individual health care spending made it difficult to be a responsible, informed, value-seeking consumer. But, an increase in consumer-directed products is advancing the consumerism trend. Health Savings Accounts paired with high-deductible health plans mean that consumers assume more of the financial burden and therefore pay greater attention to things like prescription drug costs.

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Veeva Systems new VBioPharma CRM software for managed care is built on the SaaS model and is the first of its kind. The product includes an integrated business planning module that allows the pharmaceutical brand manager to collaborate with the managed care AE; activity reporting with account profiling that allows for detailed recording of major account meeting activities and results; integrated pull-through capabilities; and, automated data collection and assimilation from formulary, copay, and other data sources that are critical to managed care’s success. VBioPharma also comes pre-populated with formulary data from MediMedia and is kept up-to-date through web services.
“If I am a pharmaceutical executive right now, I want to capture the activities of my managed care account executives. I want reporting capabilities. I want my people to have access to all the databases they need. I want them to have business planning tools so they can use best practices consistently. And I want them to be able to communicate to me and me to them in the field,” said Green. “Is that too much to ask?”

What’s all the buzz about SaaS?

Software as a service (SaaS) is a software application delivery model where a software vendor develops a web-native software application, and hosts and operates (either independently or through a third-party) the application for use by its customers over the Internet. Customers pay not for owning the software itself but for using it. The term SaaS has become the industry preferred term, generally replacing the earlier terms Application Service Provider (ASP) and “Utility computing.”

SaaS is generating a lot of attention because it is the only technology that makes the development of highly specialized products affordable to the mass market. And, because users access the system through any web browser, advanced software is becoming easy to use – even for the technically challenged. Think My Yahoo! for business applications.

Many types of software are well-suited to the SaaS model. Application areas such as Customer Relationship Management, Video Conferencing, Human Resources, Accounting and Email are just a few of the initial markets showing SaaS success.

SaaS applications are generally priced on a per-user basis, sometimes with a relatively small minimum number of users, and often with additional fees for extra bandwidth and storage. SaaS revenue streams to the vendor are therefore lower initially than traditional software license fees, but are also recurring, and therefore viewed as more predictable, much like maintenance fees for licensed software.

About Veeva Systems

Veeva Systems is the leader in multi-tenant SaaS-based solutions for the global life sciences industry. Veeva has dozens of customers ranging from the world’s largest pharmaceutical companies with thousands of users to emerging biotechs commercializing their first products. Veeva customers achieve the fastest time to value through the deployment of fully functional applications that are flexible, simple to deploy, inexpensive to operate, and provide a superior user experience. Veeva is a privately-held company headquartered in Pleasanton, CA.

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