

# Bridging the Divide

## Linking the insurance and pharmaceutical worlds

*Although inextricably intertwined, the insurance and pharmaceutical industries historically have few dealings with each other. Applied Management recently spoke to three market access professionals who have bridged the divide between the two worlds. Jay Mayers is Senior Manager, Market Access Private Insurance, for Amgen,. Suzanne Lepage, National Manager, Private Healthcare and Laura Blair, Private Healthcare Manager, both work for Roche Pharmaceuticals.*

**Jay Mayers** started his career at Zurich Insurance in the claims department and then moved to World Travel Protection Can. Inc., a Zurich subdivision, as an Account Manager. In that role he was responsible for expatriate insurance and travel health benefits. He was also responsible for creating policy and business development. Jay then moved on to work for Adjuvantz, a small niche company focused on pharma where he managed patient advocacy programs. Currently Jay is responsible for the Private Payer business at Amgen Canada.

**Suzanne Lepage** has 19 years of insurance experience with Confederation Life, London Life and Manulife. While at Manulife she managed drug products, formularies and pay direct plans, in the process gaining valuable experience dealing with the pharmaceutical industry. When it came time to make a career change she decided to transfer her skills to the pharma world.

**Laura Blair** began her career with a small third party administrator. She moved to ESI where she was account manager for the Manulife account and then used that experience to work directly for Manulife as an account executive. Enjoying the drug portfolio aspect of her role, it was a natural career progression for her to move to Roche and work on access issues.

### **What was the greatest opportunity you faced in your move from one world to another?**

Their common view: The pharma industry is ripe with opportunity to provide knowledge and linkages to the private insurance market. These include: internal education on the private market landscape; insurer corporate policy; and why there are differences from insurer to insurer and plan sponsor to plan sponsor, issues that are not always well understood.

### **What were the biggest surprises you encountered when you were settling in to the new environment?**

The biggest surprise was that drug manufacturers have a much stronger focus on public versus private payers. Despite the importance for some of their products, there was a less “formal” approach to the private market.

### **Can you talk about what you brought to the role and how your experience with an insurer enhanced the insights or operations of the pharma company?**

Providing an insider’s insight into the real life workings of the insurance world is, not surprisingly, one of their most valuable contributions. However, certain miscon-

ceptions surrounding this market can occur. The panelists found that they could most effectively dispel these misconceptions by encouraging colleagues to put themselves in a plan sponsor's shoes and by helping them to understand payers' bottom line issues.

A strategy that works well for one of the panelists is to bring the company's own HR representatives into internal meetings to demonstrate how plan sponsors

design their plans and choose specific benefits. This inevitably brings out the key issues: Where do drugs fit as compared to dental, disability, etc? What factors are important?

The panelists also urge their colleagues to recognize that needs differ between large and small-sized firms. For example, a smaller plan sponsor may be impacted more by a high cost medications claim, whereas a large plan sponsor can absorb the cost because they have a larger budget spread across a bigger pool of employees.

**Was it difficult to get ideas about insurance and how it works accepted, or were these views welcomed by the product managers and market access people?**

The consensus was: It depends. Some insights were readily accepted, while others didn't resonate as quickly. But all feel their insights have added value.

For example, many plan sponsors still cover all drugs that legally require a prescription – therefore they don't evaluate and select drugs based on their clinical effectiveness the way public plans do. This means that historically many of the plans will cover most new drugs that enter the market.

As the private market evolves and drug costs increase, this mentality has begun to change. "The market is clearly undergoing a shift in the form of cost-sharing with employees or more restrictive drug plan coverage. In the face of an economic downturn, plan sponsors are looking for even more cost savings from insurers." The insider perspective provided by our panelists is more critical than ever in maximizing access to these markets.

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Product managers recognize that public plans take longer to make decisions than at any time in the past and it is more difficult to get CDR to make positive recommendations about new drugs. So, private plans are more in the limelight than

ever. For many retirees, private plans may be the only source of access to new medicines or to fill the 18 month gap in time to listing. As a result, pharmaceutical companies try to find novel

ways to maximize sales in the private market and look to our panelists to provide their expertise.

"A pharma company may be trying to develop a strategy for each indication, but the reality is that customers don't view us by indication. So I've had a lot of success in trying to broaden my colleagues' view and get them to think in terms of a broader DIN specific strategy."

Building credibility with their new colleagues is essential to having their views accepted. Providing third party confirmation to substantiate their views from reputable publications or presentations can help when suggesting new strategies and tactics.

**With an increasing dependence on the private market and the doors to that market closing, do you feel we will see more pharma companies reaching out to the insurance industry for talent?**

The opinions were mixed. One panelist had been approached by executives in the company for recommendations of people with insurance experience who would be willing to move to pharma. But panelists also talked about a company that had recently moved back into the old model of pairing private payers up with the regional Government Affairs team.

The willingness to accept people from the insurance industry really depends on an individual company's particular needs. The company launching a new high cost therapy into a market with 18 months of private-only access may wish to augment its private payer resources; while a company with therapies in the later part of the life cycle may wish to reduce

**At the end of the day I just assume anyone who is in the influence mix in private insurance is a customer. I treat them all equally and if there are those that have more influence than others, that will become apparent downstream.**

its private payer resources.

**What is the one issue that you feel is most clearly disagreed upon by the two industries? What counsel would you give either side to help bridge this gap?**

Pricing is the dominant issue. There is a broad misconception within the insurance industry that pharma companies deliberately keep prices high.

Education and transparency are the keys to bridging this gap. All three panelists look for opportunities to explain the context for how prices are set to insurance colleagues. “The reality is that pharma companies are making enormous investments in drug development that may or may not succeed,” says one. “The material costs involved are huge investments that fundamentally affect the market price.”

The panelists also mentioned that the insurance industry sometimes has unrealistic expectations when it comes to requesting data and research studies. Great rigor is required to obtain approval for a new drug and the necessity for comprehensive trials is critical. Insurance companies themselves may demand head-to-head trials. “The cost of actually gathering data of that type is astronomical.”

The bottom line: “Everyone wants your price to be lower. But at the end of the day the millions of dollars invested in developing new drugs have to be reflected in the final price.” That’s where education is key.

**What were some of the misconceptions that you had, or that you realized others had, when you moved into the Pharma world?**

The most common misconception was a lack of understanding with regard to the enormous influence consultants wield in the drug plan decisions made by plan sponsors. Most pharmas think it is the insurance company that dictates what the plan sponsor purchases. Not so. Brokers and consultants help clients make decisions every step along the way – from the type of plan they

purchase, to the drugs that will be allowed. Plan sponsors really depend on their benefits advisers but pharma companies tend to focus on the insurers because ultimately they’re cutting the cheque on behalf of the plan sponsor.

Another misconception: The relative costs of individual benefits in the broader benefits mix. People in pharma and those outside of the private insurance market tend to focus on drugs. But the costs of other benefits, such as disability, often overshadow the importance of drugs.

The panelists also think that there is a strong focus on big ticket items such as catastrophic drugs; however many tend to overlook the fact that drugs that are taken for a lifetime can actually be more expensive to the plan sponsor.

**Do you think we’re going to see plan sponsors backing away from drug benefits or moving towards things like spending accounts which take more of the decision-making away from the plan sponsor to the employee?**

That’s the buzz on the street, even though plan sponsors still feel employees have a sense of entitlement about benefits. While plan sponsors are not likely to go to the lengths of taking benefits away completely, the reality is that some at least, perhaps influenced by American parent companies, are moving in this direction.

The panelists agreed that fundamentally this issue comes down to a plan sponsor’s philosophy about insurance. Is it primarily to be used for catastrophic expenses? Or is it the cornerstone to ensuring employees’ ongoing health? In order to design the right plan it’s vital that companies understand their goals and develop an underlying philosophy.

**What do you think insurers think of these new types of arrangements to manage costs and risks better?**

The consensus: At the end of the day plan sponsors gravitate toward keeping the majority happy. People generally think of the immediate – what do I need today? The share of voice de-

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manding commonly-used medications dramatically outweighs the share of voice for a rarer medication. As a result, the panelists think it will be difficult to see the uptake of carve-out programs until someone sees it as a business opportunity.

Contrary to popular belief, there isn't a great demand for innovative new insurance products. "I was at a conference and someone asked an insurer, 'Why don't you have more innovative products and they answered: 'Because there's no demand!' There are so many things you have to invest in as an insurance company; you have to make sure you invest in a product that's going to make money."

**What recommendations would you make for a pharma company when they're moving someone from a position like yours? What kind of things would be helpful to ease transition from one world to another?**

Reduce the lingo. "There's so much lingo in the pharmaceutical industry. Formal orientations to the terminology and the structure of the organization would be helpful to people crossing from one world to another."

Another common experience shared by the panelists was understanding the ins and outs of a complex organization. "Pharmas have a very different sales and business structure. Historically, they have been organized in product silos, which can be difficult to navigate. Newcomers also have to be ready to wear many hats and to work with many people across a

wide variety of departments." With this in mind, they all agreed that formal orientation programs would be extremely useful. "My philosophy is the only person you can change is yourself, so adaptability in this industry is huge."

**What's your relationship with PBMs in your current job? Do you consider them on the same level as insurance companies?**

There are two stories to tell here. PBMs play an important role in the adjudication process. With approximately 60 per cent of plans now online, the influence of the PBM has grown, especially from a cost containment perspective. That said, the influence of the PBM is less than that of the other stakeholders in the mix. This is a direct result of the downstream nature of the services provided by PBMs and the relationship with the insurer and online adjudication of claims.

The other story is that some PBMs are evolving into new roles as ASO adjudicators and bypassing the large insurers altogether.

In the end however, all agreed that though the PBMs' influence on the plan sponsor is different from that of the consultant and the insurer, there is value in working with them. "There's nothing to be lost from working with PBMs – you never know to what degree even a little influence can affect your business." ❖

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