

PHARMACY MANAGEMENT

PHARMACY SERVICES STRATEGY: ADAPTING TO A RAPIDLY EVOLVING MARKET

Drove alignment on the top pharmacy strategic priorities for the next 3–5 years to adapt to the competitive and rapidly evolving market

Client situation

- The client was a Regional Health Insurer with significant Commercial medical and pharmacy market penetration, facing increasing competition from national and regional PBMs for pharmacy carve-outs
- The VP of Pharmacy Services engaged Oliver Wyman to prepare and facilitate a full-day strategic offsite with the pharmacy team leadership to assess emerging market trends, evaluate operational challenges, and identify key strategic priorities for the next 3–5 years

Oliver Wyman approach

- Evaluated current market positioning and competitive threats
- Surveyed the pharmacy team on operational/strategic issues
- Conducted external research and prepared a 100+ page fact pack assessing relevant pharmacy market trends
- Interviewed 20+ internal/external stakeholders, including pharmacy leaders at other insurers and employer coalitions
- Facilitated a full-day offsite with the pharmacy team leadership
- Summarized findings and implications from the offsite

Key impacts achieved

- Reached alignment on the top pharmacy team strategic priorities for the next 3–5 years
- Codified a new strategic vision, to be shared with internal/external stakeholders
- Identified opportunities for increased collaboration with other functional areas to grow pharmacy membership/revenue

PHARMACY SERVICES LANDSCAPE ASSESSMENT AND OPPORTUNITY IDENTIFICATION

Worked with a health plan to evaluate the landscape for pharmacy services - assessing opportunities for impact and growth potential, disruption, outcomes improvement, and development of services to sell to other organizations

Client situation

- The client was a large regional payer seeking to drive organic growth throughout the organization, including the pharmacy division
- Our client, the SVP of pharmacy services, asked OW to evaluate the potential of launching a B2B pharmacy services business

Our objectives were to:

- Develop a portfolio of possible B2B products based upon the client's current internal pharmacy functions
- Create an understanding of current state capabilities
- Define the activities needed to design and launch the new B2B business

Oliver Wyman approach

- To evaluate the current state and the organizations capabilities OW performed interviews with organization leaders across the pharmacy division
- OW then iterated on the client's internal functions to identify and develop multiple product variations ranging from selling intellectual capital to delivering outsourcing services
- OW solidified the client's understanding of the industry trends that might affect potential demand for their services, and positioned the pharmacy organization to proceed with its business design efforts

Key impacts achieved

- OW narrowed and further defined the scope of services that are being considered for commercialization, allowing the organization to concentrate their efforts on those services most likely to gain traction in the market
- The client is now better able to articulate to senior leadership why this business might be relevant and what is needed to fully test and validate the solutions and launch the business

PHARMACY UM PROGRAMS ROI AND MONETIZATION ASSESSMENT, SALES OPERATING MODEL DESIGN AND STRATEGY DEFINITION FOR THE TEAM

Quantified the ROI of pharmacy UM programs, identified ~\$5 M of admin cost benefit, and redesigned the sales operating model to drive greater uptake of pharmacy benefit and reduce carve-outs

Client situation

- The client was a Regional Health Insurer who was facing high carve-out for their Pharmacy services
- They were interested in understanding:
 - How they can organize themselves internally to better drive Pharmacy sales
 - How their Pharmacy Utilization Management programs were performing and potential opportunities to monetize them
 - How they can reduce administrative cost and better partner with current PBM vendor
- The client additionally required support to determine the strategy for the Pharmacy team over the next 3–5 years

Oliver Wyman approach

- The project contained two core streams of work:
 - UM Program Assessment: Oliver Wyman assessed the ROI and Operational effectiveness of the Insurer's Pharmacy UM programs. This is the third part of a phased effort for the client to assess its full portfolio of programs. Oliver Wyman supported the first two waves.
 - Sales Operating Model/UM Monetization: Oliver Wyman supported the client in gaining consensus amongst internal stakeholders on the optimal operating model (and resources/capabilities required) to more effectively drive Pharmacy sales. We also evaluated the opportunity to monetize on its Pharmacy UM

Key impacts achieved

- Quantified cost-to-deliver and ROI of Pharmacy UM programs (Prior Auth, Step Therapy and Site of Care)
- Identified near and mid-term operational efficiencies with expected admin cost benefit ~\$4.5 M
- Designed a new sales operating model and team structure with detailed codification of roles, responsibilities and skillsets
- Defined approach for monetizing pharmacy UM programs to increase revenue and showcase value to customer
- Performed market scan to evaluate impact from pharmacy market trends and codify other payer strategy
- Facilitated a day long strategic retreat to align on a strategic vision, core principles and key initiatives for the next 3–5 years

NATIONAL RETAIL PHARMACY CHAIN DIR CONTRACT ANALYSIS OF PERFORMANCE, TIERING, LEVEL OF EFFORT AND UPSIDE POTENTIAL

Conducted analysis of DIR contract performance, tiering, level of effort, and upside potential to determine which PBM DIR programs warranted additional focus

Client situation	Oliver Wyman approach	Key impacts achieved
<ul style="list-style-type: none">• National retail pharmacy chain is challenged to identify which PBMs DIR programs should warrant additional focus• Pharmacy chain required strategy for potential upside based on tiers achieved in PBM pay for performance programs, existing tiers, and analysis of current payments• Retailer required additional analysis on level of effort and corresponding ROI to enhance their P4P program payouts	<ul style="list-style-type: none">• Conducted detailed analysis of Top 5 PBM current P4P programs, focusing on program elements, corresponding results, tiers achieved and payouts.• Assessed ROI tied to moving up in payout tiers as well as risk of moving down• Assessment of payment opportunities/risks were performed at an operational level to identify highly targeted opportunities to improve performance and corresponding increases in payments (e.g., within a PBM's network, specific to this measure, X many members should be contacted to convert at Y% to achieve \$Z return per member)	<ul style="list-style-type: none">• Developed a detailed understanding of contract performance for the largest PBM programs• Identified opportunity to improve quality for pharmacy adherence programs for 15 K health plan members• Increased adherence opportunities resulted in potential upside of \$20 M

VALUE-BASED CONTRACTING STRATEGY AND PAY FOR PERFORMANCE OPTIMIZATION

Identified tactical actions to optimize current value-based contracting and pay for performance programs to drive improved performance

Client situation	Oliver Wyman approach	Key impacts achieved
<ul style="list-style-type: none">• The client is one of the largest national retail pharmacy chains and is facing declining economics in its retail pharma business. Additionally, it was not fully capturing 'at-risk' dollars in its PBM contracting• The client hired Oliver Wyman to:<ul style="list-style-type: none">– Optimize P4P capture by assessing its current performance and portfolio of adherence programs– Outline a go-forward payer and PBM contracting strategy– Evaluate value-based services expansion	<ul style="list-style-type: none">• Facilitated internal and external payer interviews to assess current state and future state opportunities• Conducted secondary research on competitors, market standards, adherence best practices, PBM/payer priorities and economics, and regulatory dynamics• Examined client data and provided specific recommendations on near and mid-term operational improvements in both programs and culture• Analyzed payer MA stars performance and value drivers to inform contracting recommendations• Outlined broader business model options	<ul style="list-style-type: none">• Provided tactical actions to enhance current programs and designed new potential interventions to increase impact• Segmented client stores and geographies by performance and provided path forward to improve all performance• Developed PBM/payer contracting principles and recommendations for future negotiations• Created a toolkit that allows the client to recreate the payer stars analysis conducted during the engagement

PHARMACY COST AND OPERATING MODEL OPTIMIZATION

Identified \$5 M of direct margin impact from pharmacy cost savings and growth initiatives for a regional hospital system

Client situation

- The pharmacy department services three mid-sized hospitals, ~20 clinics and three retail pharmacies
- The department experienced a large growth in volume adjusted medication and labor spend over the past two years; retail locations experienced low margins and were suffering from lack of scale
- Our objectives were to identify areas of cost savings, operational improvement and analyze different scenarios for the future of Retail Pharmacy

Oliver Wyman approach

- Development of tools and best practices to support formulary management including recommendations for savings at the drug level, request forms and review templates
- Engagement with hospital system leadership to develop an action plan to re-invigorate the P&T committee
- Evaluation of current procurement and inventory practices and identified operational improvements and maximization tactics for contract and rebate savings
- Created different growth scenarios for Retail Pharmacy to identify initiatives across varying investment levels and project financial impact and developed an implementation plan

Key impacts achieved

- Up to ~\$5 M identified in direct margin impact from cost savings and growth initiatives across areas of opportunity within Pharmacy
- Resources and tools for formulary management co-developed with pharmacy team to realize savings identified
- Growth strategy developed for Retail Pharmacy and presented to executive team; implementation plan was developed to help realize and capture identified growth opportunities

SPECIALTY PHARMACY ASSET EXPANSION EVALUATION

OW conducted due diligence for a health care company interested in expanding its footprint in the specialty pharmacy space

Client situation	Oliver Wyman approach	Key impacts achieved
<ul style="list-style-type: none">• The specialty pharmacy industry has experienced significant consolidation in recent years and is expected to see robust growth over the next decade• Client currently has a small specialty pharmacy operation, but is evaluating possible expansion• Since barriers to entry within the space are significant, client is conducting due diligence on possible acquisition of a target specialty pharmacy firm	<ul style="list-style-type: none">• Conducted primary and secondary research to:<ul style="list-style-type: none">– Understand the major therapy areas of target– Assess competitive dynamic and value propositions of major players– Assess reimbursement environment– Gather input from key opinion leaders with expertise in specialty pharmacy• Analyzed target management forecast to validate vs. therapy-specific market environment• Evaluated barriers to entry for each of the markets of interest	<ul style="list-style-type: none">• Sized future demand using market model impacts• Identified key specialty areas driving 90% of target's profit for future growth• Developed a high-level strategy for client• Identified potential targets that met growth and synergistic expectations