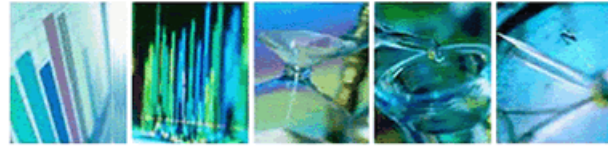




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Strategic Solutions for Managed Markets

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## Does Managed Care Actually Manage Care?

By Mark Zitter, Chief Executive Officer

Perhaps the first question in payer marketing is (or should be): Does it matter? Is anyone really managing access to our product?

The answer is "It depends" – on your product, the condition it addresses, the type of benefit (medical vs. pharmacy), or the payer. The key factors are a payer's skill and will regarding aggressive management.

Today, nearly all small-molecule products in competitive categories are managed by most payers via tiered formularies. This approach works and is easy to do. But managing expensive specialty products is another story. Payers must commit serious effort, often involving sophisticated information or management systems to succeed. Only some try. TZG's 2009 *Benefit Design Index* found that 22% of health plans will offer a specialty pharmacy tier in the next 18 months, and another 19% are likely to do so, but 23% say they never will. Why the difference? It's not about member or plan sponsor characteristics, since some directly competing payers have opposite plans, but because of payer philosophy and capabilities.

Similarly, TZG's 2009 *Biologics and Injectables Index* found that 19% of payers use ASP reimbursement in all specialty physician contracts, while 29% of payers *never* use ASP. Moreover, though 45% of respondents said they would move all or most of their AWP contracts to ASP within 18 months, 28% said they won't move *any* contracts. Again we see diametrically opposed plans among similar MCOs.

In fact, some payers believe they actively manage care, through cost-sharing, utilization management, etc. Other MCOs that think their job is to take money from plan sponsors, give it providers, and take a cut along the way. They are merely financial entities that happen to be in the health insurance business. And of course there are plenty of payers between these extremes.

Whether due to philosophy, information system capabilities, medical management talent, or other factors, payers vary widely in how much they actually manage care. Smart marketers recognize the diversity of payer management patterns and segment their market accordingly.

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