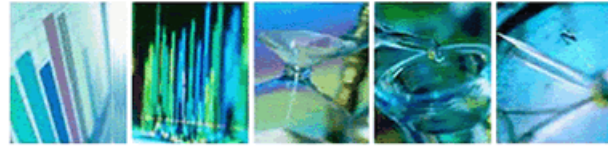




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Strategic Solutions for Managed Markets

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Specialty Pharmacy Providers and Their Value Driver

By Kirk McConnell, Manager of Syndicated Research

What is the primary value driver for Specialty Pharmacy Providers? ... Well, it depends who you talk to.

If you ask SPPs directly, they tout their high touch support services. They claim that their ability to ensure the quality of patient care and track utilization data is what the health care landscape most values.

Payers see it differently.

According to data from The Zitter Group's Fall 2009 *Biologics and Injectables Index*, a nationwide study of 100 managed care decision makers, payers are less impressed by these high touch services. Instead, payers place the greatest value on SPPs cost effective procurement of drugs and efficiency of distribution.

This value proposition disconnect has significant implications for the specialty therapy landscape.

Specialty pharmacy providers will be largely unable to charge additional fees to cover support service costs because payers place little value on them. If SPPs become unable to self-fund these support services, patients and providers will be at risk of losing access to these programs.

The only instance in which payers will be willing to reimburse for support services is when these services can be shown to generate a measurable near-term return on investment. Therefore, the onus is on the providers of these support services to quantify benefits of their programs.

In order to track the market implications of the evolving SPP value proposition, we recommend that you consider the following questions:

- ✓ Can SPPs sustain high touch patient support services without receiving additional funding?
- ✓ Which landscape stakeholder should fund therapy support services?
- ✓ What metrics will payers use to evaluate the ROI of support services?
- ✓ Do payers have the ability to quantify the benefits of patient support services, or must they be equipped with appropriate tools?
- ✓ What are the implications of manufacturers funding therapy support services?

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