

Contact:
Kirk McConnell
The Zitter Group
90 New Montgomery St
Suite 333
San Francisco, CA
94105
415.547.1013

Press Release

Payer Oncology Management Aspirations Are Becoming Management Opportunities

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While managed care has faced increasing pressure from clients to keep premiums low, one of the highest cost diseases has remained untouched—oncology care. The clinical and political sensitivities associated with cancer care have limited payers' ability to shape category dynamics, forcing payers to endure ballooning budgets and pipelines full of high-priced oncology agents.

Payers acknowledge the need to more aggressively manage the category, but aspirational management goals have historically taken a backseat to whatever small management inroads are feasible over the near-term. An ongoing study dives into these payer management issues, evaluating current oncology management policies and philosophies and providing insight into how the category will evolve.

Based on primary research with 99 managed care decision makers from commercial health plans and 103 clinical oncologists, The Zitter Group's Winter 2009 *Managed Care Oncology Index* – the fifth in a series of semiannual studies - finds that payers are looking beyond traditional lower-touch management policies in order to curb rapid growing cancer spending. Payers believe that more hands-on category management will both reduce the cost of cancer care and improve clinical outcomes

"Payers have consistently told us that ensuring the appropriate use of oncology therapies is a higher management priority than adopting ASP reimbursement or negotiating for reduced drug prices, but there just have not been tangible opportunities to weed out inappropriate prescribing," said Kirk McConnell, Manager of Syndicated Research at the Zitter Group, the study's lead author. "However, with compendia guidelines and recommended treatment protocols growing in influence, payers are beginning to realize that there are politically and clinically defensible avenues through which to define appropriate care. They can finally put some prescribing rules in place without being flogged in the op-ed columns of major newspapers."

Limiting inappropriate use of oncology therapies will remain a formidable challenge for payers, but the evolving cancer landscape will present a growing number of opportunities for payers to align oncologist prescribing with nationally recognized treatment recommendations. Those efforts will improve payers' ability to manage oncology costs.

"If a payer is trying to reduce drug costs by 5%, he can either negotiate all of his contracts down 5%, or try to eliminate 5% of use," says Nicole Dautel, a Director at The Zitter Group. "Payers

believe there to be substantial misuse of cancer therapies, so working to identify and eliminate that drug volume is a viable cost-reduction strategy.”

The research findings included in *The Oncology Index* provide a comprehensive analysis of changes in oncology management and tap stakeholder insight into how the cancer landscape will evolve in response. Key highlights from this most recent study include:

- Nearly forty-eight percent of payers (61.6% of covered lives) use ASP as their dominant reimbursement methodology; for the first time, the share of payers relying on ASP pricing exceeds those using AWP methodology
- Despite continued effort to limit provider reimbursement through the adoption of ASP reimbursement, payers overwhelmingly state their primary oncology management goal is to ensure the appropriate utilization of oncology therapies
- Although payers cite specialty pharmacy providers as their preferred channel for both oral and infused therapy distribution, only oral distribution is expected to evolve in accordance with that preference
- Payers and oncologists continue to believe that patient willingness to pay reaches an inflection point between \$100 and \$300, with a greater willingness to pay for therapeutic agents; oncologists report that a substantial number of patients have opted to forgo or otherwise turn down therapy because of cost-sharing requirements
- While a majority of oncologists report collecting office visit and drug specific patient cost-sharing, there is significant heterogeneity in the number of patients exposed to cost-sharing, and how often oncologists actually enforce/collect it
- Stakeholders anticipate strong adoption of management interventions that align oncologist prescribing with clinical guidelines, along with further adoption of ASP reimbursement and increased pharmacy management of infused drugs; payers are optimistic that most oncology management interventions will both decrease category spending and improve patient outcomes

About The Zitter Group

The Zitter Group (TZG) is the leading developer of strategic solutions for managed markets that secure, establish, and maintain essential links between brand goals and the economic needs of business decision-makers. Founded in 1989, TZG helps pharmaceutical, biotechnology, and medical device companies work more effectively within managed markets. TZG is the premier firm in the insurer segment because of its extensive experience, rich analytic capabilities, and commitment to the highest level of service. Visit www.zitter.com.