

IDN vs. Managed Care Formulary

Bayser

Contracting with IDNs: From Spillover to Carryover

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Background: In many cases, Managed Care contracting w/ local plans does not lead to an increase in market share because the product is not on the formulary of the IDN. For high-controlling IDNs, the formulary trumps that of the managed care plans. IDN Physicians in outpatient group practices acquire the habit to prescribe products on the IDN/Hospital formulary.

Objectives:

1. Measure impact of an IDN formulary on physician prescribing behavior.
2. Estimate IDN/Hospital-retail spillover.
3. Measure IDN influence on outpatient group practices & physicians.
4. Evaluate carryover in high/low control IDNs.

Industry Trends:

1. Healthcare reform is pushing physicians to be part of IDNs.
2. IDNs are gaining substantial negotiating power over Managed Care plans.

Methodology:

1. Used test-control approach to measure impact of the IDN formulary and IDN/Hospital-retail spillover.
2. Built influence maps and molecules of IDN & non-IDN physicians.
3. Assessed influence of IDN physicians over non-IDN physicians.

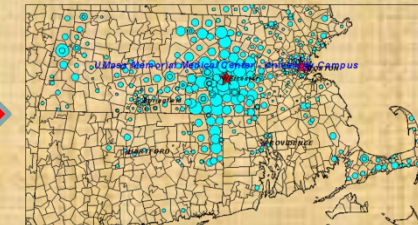
Major Findings:

1. IDN formulary can have higher impact than Managed Care formulary.
2. IDN/Hospital spillover can reach 15-20% of retail sales.
3. Most of the regional and local KOL's belong to IDNs and exhibit significant influence on their peers.
4. Physicians of controlling IDNs have high level of carryover.

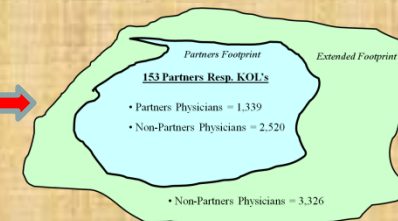
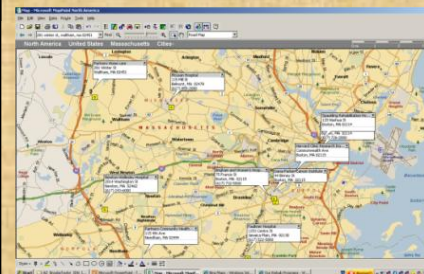
Conclusion:

Factor in drug access within IDNs before signing deals with managed care plans.

IDN Spillover



1. IDN/Hospital Spillover to IDN outpatient clinics, group practices, and IDN physicians.
2. IDN/Hospital Spillover to other IDNs.



3. IDN Outpatient Spillover (influence) to non-IDN physicians.

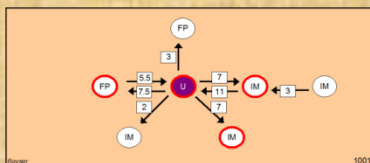
Managed Care Formulary

1. Tier Structure (Tier 1 to Tier 3, NC) & Physician Access (PA, ST, etc.)
2. Copay, Coinsurance, Deductible, etc.

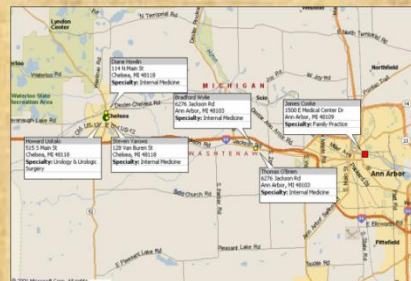
IDN Formulary

1. Formulary Status: On Formulary, Not-on-Formulary Stocked, Not Stocked, etc.
2. Discharge vs. In-treatment Protocols.

IDN Influence



Regional & local KOL's exert their influence beyond physicians in their IDN.



Carryover

Carryover stems from physician habits to prescribe a drug in the absence of detailing/promotion. Physician habits are influenced by Hospitals/IDNs/EMR/Managed Care.



Case A: Product A is the only statin on the IDN formulary. A 30% drop in detailing does not pull market share down because IDN physicians already acquired the habit to prescribe A and IDN EMRs promote usage of A.

Case B: Non-IDN physicians are not deeply inclined to prescribe product B. Immediately after a drop in detailing of B, physicians switch most of their new patients away from B.

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