

# PHIL



# For Pharmaceutical Brands, Pharmacy Matters

How to optimize prescription coverage at the counter

## About Phil

Providing end-to-end visibility into the prescription life cycle, we unlock coverage and maximize reimbursement for brands while integrating into the lives and workflows of patients and providers.

# Executive Summary

The pharmaceutical supply chain is complex and involves numerous stakeholders, including manufacturers, wholesale distributors, pharmacy benefit managers, and pharmacies. For manufacturers, the stakes are high. According to Deloitte, it costs an average of \$2B to bring a pharmaceutical product to market; however, 36% of all new launches do not meet expectations.<sup>1</sup>

When it comes to commercialization strategy, many pharmaceutical manufacturers tend to either overlook or fail to understand the nuances of the dispense network. Yet, one of the primary contributors to post-launch success is affordable and timely product fulfillment at the pharmacy.

Not only do pharmacies play a central role in the supply chain, but they are also the consumer-facing entities that have a major impact on the patient experience. An ineffective dispense network can negatively impact a brand's reputation, patient and provider satisfaction, health outcomes, and the company's bottom line. In 2021, 3 out of 4 patients who tried to fill a new prescription for a recently launched brand were unsuccessful due to payer controls.<sup>6</sup>

**Read this white paper to discover how life science and pharmaceutical companies can take steps to optimize coverage of their brands through their dispense network.**

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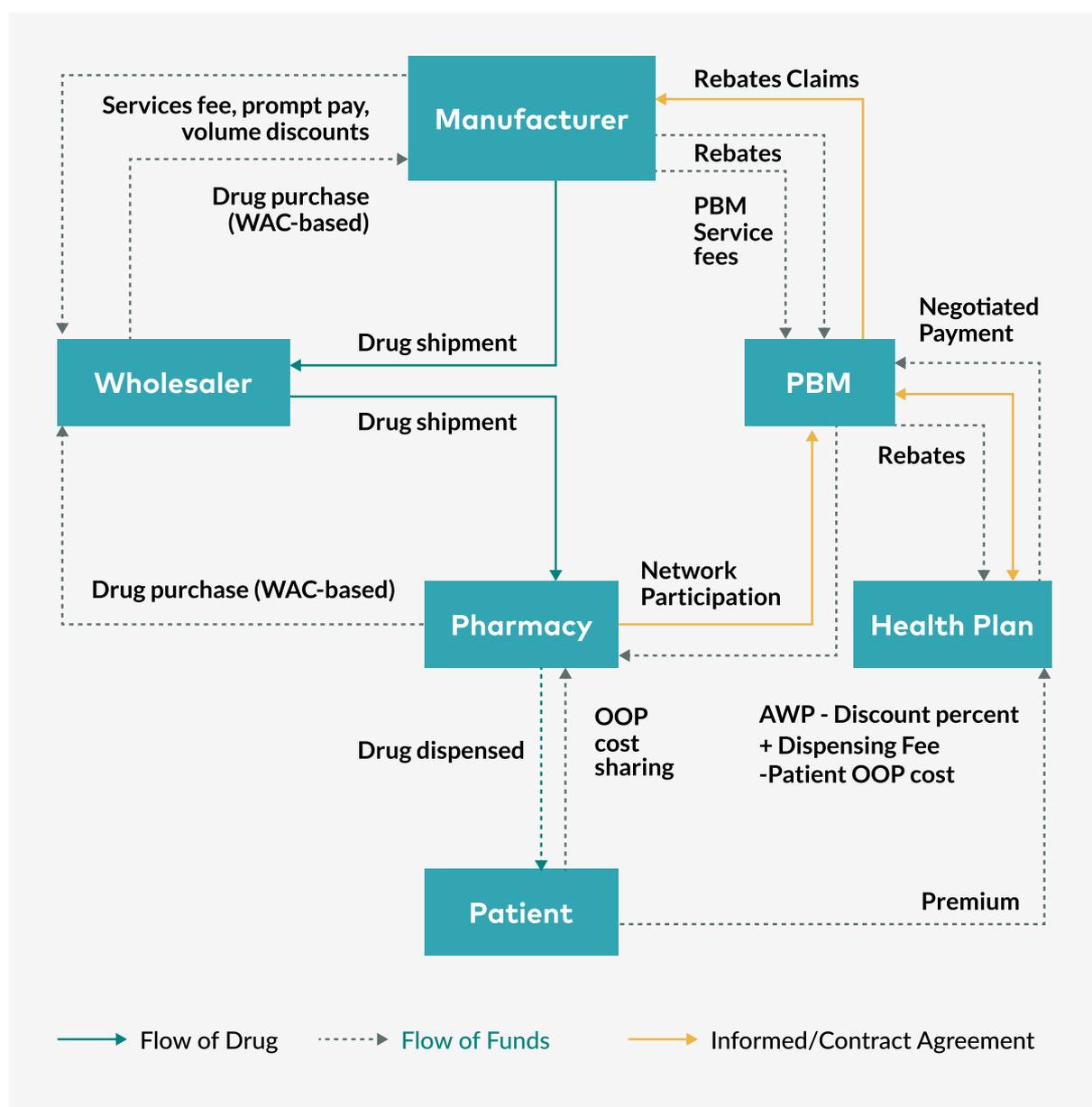
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# An Overview Of The Pharmacy Landscape

## Pharmacies are at the heart of pharma's supply chain ecosystem and the patient experience

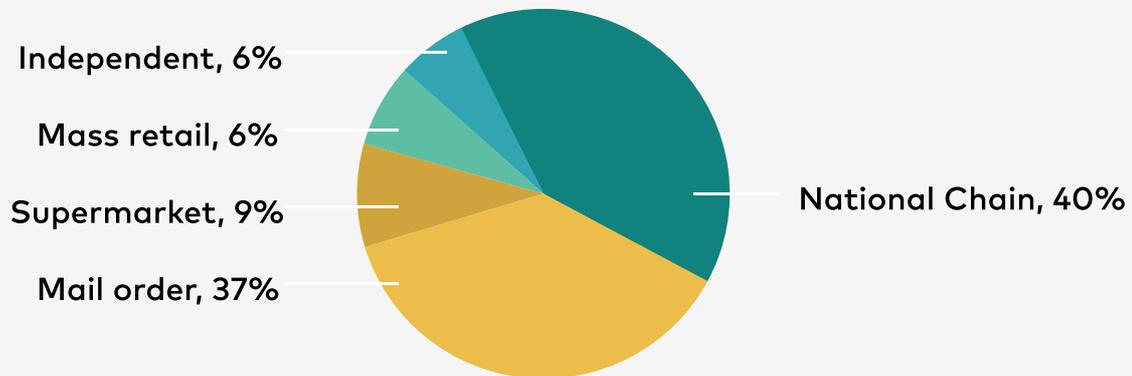
Pharmacies play a central role in the distribution and reimbursement of prescription medications, operating in a complex system at the nexus of patients, payers, distributors, and manufacturers. With about 6.2 billion prescriptions dispensed annually in the U.S., pharmacies' total outpatient dispensing revenues exceeded \$500 billion in 2021 alone.<sup>2</sup>



# An Overview Of The Pharmacy Landscape

From vertical and horizontal integration and new disruptive entrants to expanded service offerings, the last few decades have brought substantial changes to the pharmacy market. Large national chains, supermarkets, and mass retailers dominate the market today. Additionally, a large and growing mail-order industry competes with traditional brick-and-mortar pharmacies.<sup>3</sup>

## Market Share of Retail Prescription Drug Sales<sup>3</sup>



According to the Drug Channels Institute's 2022 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers:<sup>2</sup>

- 1 The top seven dispensing pharmacies – CVS Health, Walgreens Boots Alliance, Cigna, UnitedHealth Group, Walmart, Kroger, and Rite Aid – account for more than 70% of U.S. prescription dispensing revenues.
- 2 Five of the largest pharmacies are central-fill mail and specialty pharmacies owned by the PBMs Caremark (CVS Health), Express Scripts (Cigna), Envolve Health (Centene), Humana, and OptumRx (UnitedHealth Group).
- 3 Specialty medications account for more than 38% of the pharmacy industry's prescription revenue and their share is projected to grow in coming years.

# A Closer Look: The Pharmacy Players And Innovators

## Retail pharmacies

Retail pharmacies operate on the traditional brick-and-mortar pharmacy model. They are independent, chain, supermarket, and mass merchandiser pharmacies licensed by the state to dispense medications to the general public at retail prices.<sup>4</sup> Due to the large number of prescriptions they manage, chains, supermarkets, and mass merchandisers contract with most health plans for prescription coverage. Independent pharmacies contract on a state-by-state basis.

## Central fill pharmacies

These entities service retail and specialty pharmacies by preparing and packaging prescriptions on their behalf to be dispensed to the patient. Their overall objective is to reduce the workload and inventory demands at the pharmacy. The rise in specialty therapies and automation are driving the growth of central fill pharmacies. The central fill pharmacy automation market size, valued at \$493.44M in 2020, is forecasted to reach \$968.92M by 2028.<sup>7</sup>

## Digital pharmacies

They operate on a technology-driven direct-to-consumer prescription fulfillment model that enables patients to order their prescriptions and schedule home delivery through a mobile app. Considered disruptors in the pharmacy market, eleven of the top companies had collectively raised \$1.6B from outside investors as of 2021.<sup>8</sup> While convenient, due to their mail order nature, this model can have limitations depending on the level of service needed.<sup>9</sup>

## Specialty pharmacies

Their focus is on dispensing medications for chronic, complex conditions, which include advanced therapies that typically require a “high-touch” level of support. Specialty pharmacy is a rapidly expanding sector of the market, growing 315% - from 2015 to 2021. This growth is being fueled by specialty drugs, which now account for 55% of the net spending in the pharmaceutical market.

## Mail-order pharmacies

Mail order pharmacies offer direct-to-consumer prescription fulfillment, have been around for decades and currently mail billions of prescriptions each year.<sup>5</sup> Mail-order pharmacies typically operate through employer health plans, which may mandate that prescriptions are fulfilled through their mail-order pharmacy for coverage.

# The Six Ways Pharmacies Impact Brand Success

As key players in the prescription fulfillment process, pharmacies can considerably impact pharmaceutical manufacturers' commercial objectives:

1

## Patient Experience

Pharmacies represent the point of patient access to prescription medications. The average patient visits the pharmacy almost nine times more often than their provider each year.<sup>10</sup> These interactions provide pharmacies with more opportunities to help patients better navigate the complexities and costs of the healthcare system. With the proper support in place – including enrolling patients in sponsored access programs – pharmacies can improve time to therapy, medication adherence, and health outcomes. A poor patient experience can reflect negatively on a manufacturer's brand, leading to higher prescription abandonment and non-adherence – and lower market share.

2

## Plan Coverage

Most pharmacies participate in networks designed by pharmacy benefit managers (PBMs), who contract with health plans to obtain coverage for dispensed medications. Pharmacies may be part of open, preferred, or limited networks. **Almost all retail pharmacies are part of open networks, where the patient's out-of-pocket is the same at every pharmacy across the network.** Due to state regulations and PSAO partnerships, specialty pharmacies and central fill pharmacies often have plan gaps with local, state, and regional plans that require an in-state presence. In a preferred network commonly utilized in Medicare Part D plans, patients pay less out-of-pocket at a preferred pharmacy than if they go to a non-preferred network pharmacy which may not result in coverage at all. Limited networks, which give payers more economic control over prescription fulfillment, limit coverage to only designated pharmacies. The percentage of payers the pharmacy network is contracted with – often driven by network design – corresponds with the level of coverage a brand can expect.

3

## Financial Incentives

Most of a pharmacy's revenue comes from reimbursements it earns for dispensing prescriptions. Retail pharmacies drive profitability by marking up wholesale drug prices and negotiating discounts and dispensing fees with PBMs. Manufacturer copay coupons provide another avenue to better profitability, which may increase the risk of coupon overutilization jeopardizing a brand's gross to net. In today's environment where reimbursement is declining and utilization management requirements are becoming more stringent, brands should be aware that many pharmacies are reaching for manufacturer coupons as a key source of revenue. Additionally, with gross generic margins averaging 42.7% vs. 3.5% for brand-name drugs, pharmacies also have a big incentive to substitute brands with generics when feasible.<sup>3</sup>

# The Six Ways Pharmacies Impact Brand Success

4

## Reimbursement Rates

In general, pharmacy reimbursement rates are based on a discount percentage from the average wholesale price plus a dispensing fee minus the patient cost-sharing amount.<sup>12</sup> Reimbursement rates can vary widely across pharmacy types, i.e., central fill/mail order vs. retail, which can have a meaningful impact on how pharmacies apply manufacturer subsidies. Typically, retail pharmacies are reimbursed at higher rates than that of mail order or central fill pharmacies as the expectation is that they need a higher reimbursement to manage their overhead.

5

## Infrastructure To Support Prior Authorizations

For pharmacies, the prior authorization (PA) process requires collaboration with medical providers to obtain the necessary patient information. Some independent pharmacies provide PA services to support local prescribers and earn more reimbursements. Some specialty pharmacies offer PA support because of the larger revenue potential from specialty medications. While specialty pharmacies they have team members dedicated to PAs, many use manual processes or outdated systems. Many pharmacies have recently adopted electronic PA (ePA) systems, but that does not necessarily lead to the desired outcomes. In a 2021 study, a large healthcare system's ePA system did not improve medication filling rates or adherence – fragmentation between payers and the ePA system and communication breakdowns between providers and pharmacies were cited as reasons.<sup>13</sup>

6

## Prescription Data

Prescription data is a valuable resource that offers visibility into the patient journey and insight into market activities around product movement and usage. Accessing relevant data around benefits verification, PAs, health plan PA behavior, and reimbursement rates enable manufacturers to steer commercialization and brand strategies more effectively. In fact, a McKinsey analysis estimated that leveraging data analytics around market access and commercialization can generate substantial returns for pharmaceutical companies, including a 5-10% net revenue improvement and 10-20% spend reduction/reallocation.<sup>14</sup>

# Evaluating Your Pharmacy Network Through The **Lens Of Coverage Optimization**

More than 1 in 3 new drug launches fall short of expectations. According to Deloitte, one of the primary contributors to brand success is a patient access strategy – and execution – that enables affordable and timely product fulfillment for appropriate patients.<sup>1</sup> More and more brands are finding themselves at **risk for a mid cycle crisis** meaning that they have developed a significant patient and HCP base, but have been unable to successfully convert their formulary placement to a high % of covered dispenses. Commercial teams need to understand the makeup and coverage implications of their dispense network so they can take proactive steps to maximize their gross to net.

Here are five questions you should be asking when evaluating the coverage implications of your pharmacy network:

1

## **What % Of Covered Dispenses Do You Realize?**

Remember, market access does not necessarily equate to covered dispenses. Considering the influence of payers, PBMs, and network design is essential. Are you using a central fill model that results in 40% plan contract gaps?

2

## **What Value-Added Role Does Your Wholesale Partner Play?**

Connecting 1,300 manufacturers with over 180K points of dispensation, distributors play a much more significant role than logistics. Many wholesalers today offer value-added services, such as pharmacy support, hub services, and innovative partnerships.<sup>15</sup>

3

## **What Percentage Of Health Plans Have Contracts With Your Dispense Network?**

Without question, the ability to connect more patients with participating pharmacies translates to more prescriptions covered. Note that many local, state, and regional plans require an in-state presence for participating pharmacies, so mail-order formats are often unable to participate.

4

## **What Are The Pharmacies' PA Processes And Success Rates?**

How efficiently and effectively pharmacies perform PAs can make or break your brand, so it's critical to have this insight. If your partner uses telephonic engagement and manual forms, it's likely that a large % of your brand's PAs are going unsubmitted.

5

## **Are The Pharmacies Effective At Driving Prescription Pull-Through?**

It's crucial to assess the level of patient services program enrollments, brand switching, generic substitutions, and coupon utilization to assess brand pull-through at the pharmacy.



Commercial teams need to understand the makeup and coverage implications of their dispense network so they can take proactive steps to maximize the market share and profitability of their brands. Patrick Leary, CCO, PHIL Inc.



# Ready To Optimize Coverage At The Counter? PhilRx Can Help.

PhilRx is the first end-to-end platform that helps patients access their medications and brands optimize their gross to net. Life science companies have access to best in class eHUB services and a nationwide pharmacy network that helps patients receive prescribed therapy quickly, conveniently, and affordably. Our platform reduces prescription abandonment, streamlines the prior authorization process, and enables manufacturer-driven coupon utilization. Additionally, we provide real-time insights to give our manufacturer partners strategic visibility across the prescription journey.

## Proprietary PA Process

To maximize PA success our platform assists HCPs by prepopulating required forms to enable “1-click” submissions. We also track approvals and submissions to provide your field team with actionable data to help close gaps.

## 85% PA Submission Rate

**PHIL**

A prior authorization is ready for submission  
Date of request: 12/09/2020, 15:00 PST  
Please login to CoverMyMeds to submit the PA before the form expires.

<b>Patient Name:</b> Amy Rodriguez DOB: 03/25/1980 <b>Provider Name:</b> BETH AARHUS NPI: 1508832221	<b>Prescription</b> CINFLOWIZE 100MG TAB ER 28H QTY: 30 Refills: 6 <b>CoverMyMeds Key:</b> 735325
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**Message from Phil Team:**

Hello! Our mutual patient's prescription Cinflowize requires a PA. We've completed the PA and it is ready for submission. Please log in to your CoverMyMeds account and press the orange "Submit to Plan" button using the key: 735325. We will be notified of the decision.

## National Dispense Network

We've cultivated a network of independent retail and regional chain pharmacies to deliver the highest % of plans covered and reimbursement rates to optimize your gross to net.

## 50-state Network with 98% Plan Contract Coverage



**See The PhilRx Platform In Action By Requesting A Demo Today!**

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