

CASE STUDY

# PAYER MANAGEMENT PRACTICES REVEALED WITHIN REAL WORLD DATA

**Evidence of Rising Payer Management Informs  
Investment Strategy**

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### Introduction to the Case Study

An investment firm evaluating whether or not to make a significant investment in a mid-sized pharmaceutical company engaged DRG to conduct an assessment of the payer management of a suite of dermatology and gastrointestinal medications to determine if increasing payer restrictions were diminishing the competitiveness of these medications, ultimately impacting future sales and the targeted company's profitability.

### Defining the Challenges

Recent publicity suggested that Commercial and Medicaid/Medicare health plans were increasingly restricting access to two key medications central to the profitability for the company being evaluated. For an investment decision to be made with confidence, the firm required a partner who could bring both formulary and Real World Data (RWD) analytics expertise to the table. The firm was focused on understanding the complex nature of payer restrictions and how they impact market performance. Ultimately they were looking for insight to the following key areas:

1. Changes in drug restriction policy over the previous 10-month time period
2. Restriction variation by payer segment (Commercial vs Medicare/Medicaid), and by product
3. Impact of changing prior authorization and formulary exclusions on script volume

### Our Solution

To address this firm's challenges, DRG performed a customized analysis of disparate data sets in order to achieve an accurate representation of the market dynamics at play.

DRG and the investment firm worked collaboratively to identify appropriate data points for analysis that would result in the market access insight that the firm was looking for. Ultimately, a customized pull of Fingertip Formulary and Restrictions (Fingertip) data sets was applied and cross-referenced with real world claims data (RWD) to determine drug coverage for the entire suite of dermatology and GI medications manufactured by the pharma company for each benefit plan included in the study. Fingertip provided the precision necessary to determine if formulary restriction variances existed by payer segment, while the integration of script volumes provided a validated illustration of the market response. Primary research in the form of the Health Leaders Inter-Study Lives Survey was then leveraged to determine the potential impact, in number of lives, that health plan formulary changes for the targeted medications would have on the market.

To fully measure the impact of evolving payer tiering and restrictions on market access, DRG data and health plan experts developed a unique scoring methodology to efficiently cross reference Fingertip Formulary and Restrictions data with three specific data points within the DRG RWD claims repository: Prior Authorization, Step Therapy, and Quantity Limits.

Ultimately, the scoring methodology resulted in an efficient, and high-level measurement of the level of management oversight for each drug that was supported by Real World Evidence (RWE). Moreover, it provided an accurate depiction of emerging patterns regarding payer management.

### The Result

The unification of Fingertip and RWD with astute analytic method was the key to the success of this project. The investment firm was able to use the resulting profiles of payer impact on each drug alongside their own research to model how payers might influence the future sales and profitability of the pharma company under consideration.

DRG's creation of a customized solution that addressed this client's specific business question was critical to the level of insight that was achieved. As a result, the firm was able to clearly evaluate investment potential with an understanding of how the complexities of payer formulary restrictions influence patient market access, as well as the profitability of drug manufacturers.

### Takeaways

Understanding the complex market dynamics of health plan formulary management is key to developing a sound biopharma investment strategy. Reliance on traditional formulary analyses alone will not provide an accurate picture of the forces influencing the long term profitability of drug manufacturers. DRG's data and health plan experts possess the necessary data integration and interpretation skills to deliver a true assessment of market dynamics in order to drive intelligent business decisions. DRG is uniquely positioned to deliver this expertise to institutions evaluating the dynamics and impact of payer management.



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