



The **Bruckner** Group, Inc.

STRATEGY & RESEARCH FOR THE PHARMACEUTICAL INDUSTRY

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Biotechnology Drug Revenues Will Be Hard Hit By Strict Benefit Management and Coverage Restrictions

The Bruckner Group's 2005 Payor Study indicates usage of high-priced biologicals will be scrutinized and rejected unless healthcare value is proven

WAKEFIELD, MA, January 19, 2005—The Bruckner Group (BGI) today announced select findings from the fourth annual Bruckner Group Payor Study. BGI's annual comprehensive study of managed care organizations (MCO), pharmacy benefit managers (PBM), Medicare, and Medicaid, incorporating nearly 90% of covered lives, tracks evolving policies and trends in formulary decision-making, disease management programs, and benefits administration.

The 2005 study details how biologicals, which have received minimal pharmacoeconomic scrutiny from payors, increasingly will face the same strict value-based review and administration processes of pharmaceuticals. Many of the highest-cost chronic therapies will be even more rigorously managed and challenged.

MCOs and PBMs are actively moving the administration of biological therapeutics away from the medical benefit to the pharmacy benefit, where outcomes-based analyses and cost reduction processes are in place. Some even have initiated the groundwork for a new specialty pharmacy benefit. These changes, already underway, will be completed within three years.

The study indicates that the negative impact on associated revenues cannot be overstated. Biologicals administered under the pharmacy benefit will be aggressively scrutinized for pharmacoeconomic value and subjected to case management and disease management programs.

Leading these efforts are PBMs and MCOs with in-house capabilities. Their initial forays concentrate on new disease management programs for small population, high-cost diseases, such as hemophilia, Gaucher's disease, and diseases utilizing immunoglobulins (IVIg) and growth hormone. BGI is helping to address these issues for the hemophilia community, authoring a series of articles with internationally recognized advocate Laurie Kelley, in the Parent Empowerment Newsletter.

Fast on the heels of these efforts are new programs intended to more formally address the cost and utilization of specialty pharmaceuticals for wider patient

populations, such as rheumatoid arthritis and diabetes. Even categories normally left previously untouched, such as oncology and HIV, will be increasingly mined for value-driven cost savings.

“Most biotechnology manufacturers are unprepared to argue comparative price as related to value, both in resources and mindset. For a variety of reasons BGI has measured, manufacturers are not appropriately responding to this abrupt shift in their business process, caused by the bare-knuckle, value-based management of their products,” said Michael J. Russo, Partner at The Bruckner Group.

“Manufacturers must decisively prove the pharmacoeconomic value of their brands to avoid negative revenue consequences. But proving value is not enough,” Michael Russo continued. “To thrive, manufacturers must develop robust outcomes-based access strategies (OBA), revamping their marketing and sales strategies to incorporate the value propositions essential to major stakeholders. Unfortunately, many pharma and biotech companies are still making completely avoidable OBA mistakes, at staggering cost. But if this process is thoughtfully engaged, successful OBA strategies will increase brand revenues significantly beyond the high end of expectations.”

Select study findings are published in ***“The Year Payers Stopped Threatening”*** by Michael Russo and David Balekdjian, Pharmaceutical Executive, January 2005.

About The Bruckner Group (BGI):

The Bruckner Group (www.brucknergroupp.com) is a strategy and research firm addressing the competitive revenue opportunities and challenges of pharmaceutical and biotechnology manufacturers. BGI is the leading expert in outcomes-based access, helping manufacturers develop and implement strategies that leverage value opportunities to uniquely build brand revenues and market share. BGI was first in the pharma industry to identify OBA as a major paradigm shift, and has maintained a leading position since.