Drug companies must befriend managed care

WASHINGTON, D.C.—Managed care is wreaking havoc on the U.S. pharmaceutical industry and with it, of course, the U.S. biopharmaceutical industry. With their purchasing power—as well as their use of such pharmaceutical-management tools as formularies, therapeutic substitution, and generic substitution—managed-care organizations are wrestling increasing price discounts from pharmaceutical companies, with 1987's average discount of 3 percent off product prices likely to soar to a 15 percent price discount by 1997. This means that the 14 percent revenue growth U.S. pharmaceutical firms enjoyed from 1987 to 1992 will probably plummet to 5 percent revenue growth from 1992 to 1997, on average.

To succeed with managed care, pharmaceutical companies must do an about-face. They must view managed care not as an adversary, but as an ally. That, at least, was the message from a recent conference held here that was entitled "Biopharmaceutical Price Restraints in the Purchaser-Driven Market" and that was sponsored by International Business Communications (Southborough, MA).

For its part, Merck (Rahway, NJ) has already allied itself with managed care through its purchase last summer of Medco Containment

Services (Fair Lawn, NJ) for \$6 billion in stock and cash. "With their acquisition, Merck has forever changed the way pharmaceutical companies view managed care. Managed care is no longer just a price discounter or an adversarial force in product selection. Managed care now enables drug companies to define themselves not simply as makers of pills but as providers of services that lower health-care costs. Drug companies can now make a stronger case for the cost effectiveness of pharmaceuticals within broader medical treatments. They can show that underutilization of pharmaceuticals is as much a problem as overutilization. And they can show that even expensive drug therapies are cheaper than less-extensive therapies that lead to extensive intervention," states David Cassak, managing partner of Windhover Information (S. Norwalk, CT).

The key to such pharmaceutical-company empowerment is managed care's compilation of outcomes data. Indeed, managed-care organizations monitor actual patient outcomes with particular pharmaceutical therapies. Pharmaceutical companies can then use this outcomes data to prove to purchasers that their therapies outperform competing therapies. "Managed care thus becomes a core capability that drives market-

ing," according to Cassak.

For instance, a pharmaceutical company that makes insulin might use outcomes data to win a contract to treat a managed-care organization's diabetics. The outcomes data would show that the company could reduce the organization's overall treatment costs for its diabetics, including hospitalizations, doctor visits, lab tests, and pharmaceutical use. The company might reduce these costs simply by having its own managed-care operation monitor the diabetics to make sure that they take their insulin, since fully 50 percent of diabetics either fail to fill or fail to follow their insulin prescriptions. The managed-care organization would win because it would spend less on each diabetic. And the pharmaceutical company would win because, in spending less on each diabetic, the managed-care organization would buy more of the firm's insulin. "Though pharmaceutical use increases, total health-care costs decrease," Cassak comments.

Yet the use of outcomes data is an unproven field. "Not only is Merck's vision of what managed care's capabilities can do for a pharmaceutical firm untested, also untested is whether purchasers will pay more for drugs overall to realize total savings," Cassak states.

—B.J. Spalding

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Nycomed Pharma launches surgical bandage

HELSINKI—Nycomed Pharma (Oslo)—the biopharmaceutical division of Hafslund Nycomed, which racked up 1992 sales of \$835 million—has launched what it describes as a "revolutionary" new product to arrest internal bleeding during surgery. The product, called Tachocomb, has been successfully launched in Austria and has won marketing approval in most European countries, as well as Saudi Arabia and China.

The product, which biodegrades in three to four weeks, is applied directly to bleeding organs or tissue and coagulates into a tight, though flexible, bandage within three to five minutes, halting the

bleeding process. It is made up of a sheet of collagen covered with a layer of "fibrin glue," which is made up of fibrinogen, thrombin, and aprotinin. When this layer comes in contact with blood, the components dissolve, forming fibrin.

Clinical trials for the product involved 1,400 surgery patients. It produced "effective" coagulation in 95 percent of patients, "satisfactory" coagulation in 3 percent of patients, and "insufficient" coagulation in 2 percent of patients, says Bernhard Sixt, the product's project leader. He adds that the product "offers surgeons a new tool to treat areas of diffuse bleeding, which, with orthodox methods, are diffi-

cult to treat, since conventional compressing agents have a propensity to float away after being applied."

The product will likely strengthen Nycomed Pharma. The firm is Hafslund Nycomed's most dynamic division, posting earnings of \$80.2 million in 1992 on sales of \$376 million.

—Gerard O'Dwyer

One surveyed reader finds
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The product coagulates into a tight bandage within five minutes.