

Nursing Home Pharmaceutical Market—

Changes taking place in pharmacy purchasing, Part D Coverage, physician prescribing and Implications for pharmaceutical marketers



The nursing home segment is a large portion of the pharmaceutical market. This market is slated to grow further in the next five years due to favorable demographics of the population. However, other major changes are taking place which will affect this market in significant ways. These changes deal with changes in procurement by nursing home pharmacies, reimbursement by Medicare Part D and prescribing by physicians. This report will provide you with a detailed perspective on the nursing home market and changes taking place in it and point out implications for your marketing program...

**A syndicated project proposal submitted
to pharmaceutical companies by:**

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▶ I. Nursing Home Pharmaceutical Market and Changes Affecting this Market

The nursing home pharmaceutical market is a large market. Due to favorable demographics and the availability of new products this market will continue to grow further. This segment accounts for a high proportion of sales in many product categories. Our research has indicated that this is particularly true for products for the treatment of following diseases and conditions:

Anxiety	Hypertension
Arthritis	Insomnia
COPD	Osteoporosis
Chronic pain	Peripheral vascular disease
Congestive heart failure	Post-stroke management
Dementia	Schizophrenia
Depression	Ulcer/GERD
Diabetes	Urinary incontinence

At the same time the nursing home market is also undergoing other dramatic changes.

Firstly, due to the high purchasing volume of large nursing home pharmacies more and more of these purchases are being made through contracts involving discounts and rebates. These large nursing home pharmacies (also known as long term care pharmacies) control a dominant portion of pharmaceuticals consumed in nursing homes. Leading names in this group are Omnicare, PharMerica, Kindred and others.

Secondly, the continuing changes made in the formularies of plans offering Medicare Part D coverage to nursing home residents is creating confusion and a dramatic negative impact on the prescribing of products in this setting.

Thirdly, the prior authorization requirements of the various plans are also shifting usage in favor of certain brands at the expense of others.

The co-influence of these and other forces is thus creating major changes in this market. The main objective of this project is to report in detail on these changes and point out their implications to pharmaceutical marketers.

▶ II. Objectives of the Study

The objectives of this study are to:

- Provide a thorough understanding of the nursing home market;
- Point out the changes taking place in this segment;
- Detail the shifts in procurement policies and procedures of nursing home pharmacies;
- Report on the problems faced in reimbursement of pharmaceuticals from plans offering Medicare Part D;
- Point out the implications of the above for pharmaceutical companies and recommend strategies for this market.

This will be accomplished by providing information and assessments in the following areas.

A. Structure of the Nursing Home Market

1. Total number of nursing homes
2. Breakdown by size categories and ownership
3. Geographical distribution in the U.S.
4. Categorization by level of care
5. Analysis and implications.

B. Nursing Home Patients

1. Breakdown by age and sex
2. Infirmities
3. Length of stay

C. Patient Diagnoses

1. Conditions suffered by patients
2. Analysis and implications

D. Nursing Home Physicians

1. Types of physicians and specialties
2. Frequency of prescribing and evaluation
3. Detailing by pharmaceutical representatives
4. Input from nurses and pharmacists in prescribing

E. Concentration in nursing home pharmacies and their requirements

A few large long-term care (LTC) pharmacy companies service thousands of nursing homes and this concentration in this segment is increasing.

1. Level of concentration in the nursing home pharmacy segment
2. Leading pharmacy companies and their requirements
3. Purchasing discounts, rebates required by nursing home pharmacies
4. Services provided by nursing home pharmacies to these facilities

F. Group purchasing organizations (GPOs) in long-term care

1. Growth of GPOs in long-term care
2. Leading companies
3. Their requirements and future growth potential

G. Concentration in the nursing home industry

A few large chains own and operate many nursing homes.

1. Nature and level of concentration
2. Differences in chain owned nursing homes

H. Medicare Part D reimbursement of pharmaceuticals

1. Nature and details of Medicare Part D Coverage
2. Problem of dual eligible residents
3. Problems faced by pharmacies in obtaining reimbursement
4. Working through the current problems

I. Promotion programs of pharmaceutical companies towards nursing home

1. Which pharmaceutical companies have promotional programs for nursing homes?
2. Which products are being promoted to them?
3. How does the promotion differ for physicians, pharmacists and nurses?
4. How is the promotion being received?

J. Analysis, implications and recommendations to pharmaceutical companies

1. Assessment of the future of the nursing home market
2. Implications of the current problems
3. Recommendations to pharmaceutical companies to cultivate this market

Details of the research methodology are provided in the next Section.

**Readers are welcome to nominate other areas of research
to add to the topics listed above**

▶ III. Research Methodology

Being aware of the complexities of the subject and the need to report quantitative data on the appropriate topics, a detailed methodology has been devised. It is described below.

Prior to the initiation of the research we will discuss the project with all the sponsoring clients to get their suggestions on the research.

A. Internet Literature Research

An exhaustive search will be conducted at the outset to gather background information on the various research topics. This will include gathering information on the following topics:

1. Structure of the nursing home industry;
2. Nursing homes patients and LTC chain pharmacies.
3. Other study topics.

B. Focus Groups with Nursing Home Physicians (2)

The objective of these groups will be to gather preliminary information on the various study topics including leading diagnoses and differences in treatment of these patients.

C. Focus group with Medication Nurses in Nursing Homes (2)

As is well known, nursing home nurses are intimately involved in administering drugs to patients and dealing with pharmacy suppliers. We expect to gather valuable insights in this phase of research.

D. In Depth Interviews with Nursing Home Pharmacists (25)

We plan to conduct these interviews to learn about trends in nursing home pharmacy purchasing, dispensing and packaging. Interviews will be conducted with professionals in large chain LTC pharmacies and smaller pharmacies servicing nursing homes.

E. Interviews with Purchasing Managers in Nursing Home Chain Pharmacies (10)

These will be conducted to obtain information on current trends in purchasing at large LTC nursing home chain pharmacies.

F. Quantitative Survey of Nursing Home Physicians (200)

We plan to conduct a survey of nursing home physicians to quantify the information obtained in the above qualitative phase. Our plan is to gather responses from 200 (two hundred) of these professionals. Questions will deal with topics such as:

- Diseases /conditions seen in nursing homes;
- Differences in the treatment of nursing home patients;
- Special information needs and unique promotional opportunities

G. Interviews with Centers for Medicare and Medicaid Services (CMS)

CMS administers the Medicare Part D program which covers the payment for drug usage in nursing homes. Initial research has revealed that a lot of problems are encountered by nursing homes in getting adequately reimbursed for their drug purchases for their nursing home patients.

Furthermore, the Part D program is implemented by different plans in various States. These plans have their own formularies. Changes in coverage of patients among different plans further increase the confusion. Our plan is to study this issue in detail, understand the problems, report on them and suggest recommendations for working with this program.

H. Organization and Tabulation of Findings

All the information obtained in all the focus groups and the in-depth interviews will be organized by the various study topics. Similarly, the quantitative findings of the physician survey will be tabulated by the different areas of investigation to facilitate analysis of the data. All the information will be analyzed to meet the informational objectives annotated in Section II of this proposal.

I. Analysis of information

All the information will be analyzed to meet the informational objectives annotated in Section II of this proposal. The emphasis will be on providing insights in various areas and to point out implications for pharmaceutical companies.

J. Reporting of Information

The information will be presented in a well-organized report. Appropriate figures and diagrams will be used to communicate the information to facilitate comprehension.

Readers are invited to suggest additions/modifications to the above methodology to increase the usefulness of the final report to them.

▶ IV. Results of Preliminary Research

The nursing home market is a large market. The following table shows the number of nursing facilities, beds and residents for 2009.

Nursing facilities	Certified beds	Patients in homes
15,700	1,667,000	1,400,000

Source: Centers for Medicare and Medicaid Services.

Three major changes, stated below, are currently impacting the nursing home market.

Growing concentration in the nursing home pharmacy industry:

The pharmaceutical needs of nursing homes are mostly supplied by off-site pharmacies. Over the last two decades the concentration in this segment has increased a great deal. Currently some five large nursing home pharmacies (also called Long-Term Care pharmacies) supply about 90% of the medication needs of nursing homes. Due to the high purchasing power commanded by these pharmacies they have been getting discounts and rebates on their purchases. Further changes are coming about in this area.

Coverage by Medicare Part D and problems of dual eligibility:

Most nursing home patients' medication needs are covered by Medicare Part D. In some States Medicaid also covers some residents. In a few States both Medicare and Medicaid cover nursing home patients. Many patients are eligible for dual coverage by Medicare and Medicaid. In some of these States patients are randomly allocated to Medicare or Medicaid. This creates complications of its own in reimbursement.

Even in States where Medicare is the insurer it is administered by several different plans. Each plan has its own formulary with varying lists of medication requiring prior authorization. When one plan stops offering Medicare coverage those patients are moved to another plan with varying formulary considerations. This is causing considerable confusion among practitioners. (Source: Long Term Care Pharmacy Alliance)

Impact on physician prescribing:

The above situation is having a significant impact on physician prescribing according to **American Medical Directors Association**, the organization of nursing home physicians.

In addition there are other trends which are having a major impact on this market.



V. Uses of the Report

The report as we envision it will be useful in the following:

- A. **To help you gain a comprehensive and thorough understanding of the Nursing Home Pharmaceutical Market.** Going beyond the numbers, this report will explain the status of various new developments, problems currently faced by professionals in this market and actions being taken to resolve them.
- B. **In specifically learning about the details of the procurement practices of large nursing home pharmacies.** As stated before, a few of these pharmacies supply the medication needs of a dominant portion of nursing home residents. Therefore their purchases are huge. It is therefore crucial to have a thorough understanding of the purchasing practices of these pharmacies.
- C. **For understanding the impact of Medicare Part D coverage on the reimbursement of pharmaceuticals used by nursing home residents.** Since this plan is administered by various plans with varying formularies this issue is having a significant impact on the prescribing of pharmaceuticals.
- D. **To understand the changes in prescribing of pharmaceuticals in nursing homes.** Due to the changes in patient demographics and the requirements of the formularies of various Medicare Part D plans physician prescribing practices are changing. This report will provide you a better understanding of the changes that are taking place.
- E. **For gaining competitive information and intelligence on the activities of other companies in this market.**
- F. **In learning about the upcoming changes in this market to prepare for them in a proactive manner.**

Individual companies will be able to derive additional uses from the report depending upon their unique situations.



VI. Project Deliverables

The following four deliverables are included in your purchase.

- A. Copy of the project report in PDF file and CD-ROM.



- B. Comprehensive presentation of the findings of the project after submission of the report.



- C. Two bound copies of the report.



- D. A PowerPoint file containing major findings of the report.



An overview sales presentation on this project can be provided. If you are interested in arranging this presentation, please contact us per the information provided at the end of this brochure.

▶ VII. Credentials and Experience

HRA Research is a well-established life sciences marketing research company that has been in operation for 30 years. The company has over 40 market research professionals. One of the company's special strengths is its in-house data collection facilities through the use of convention, telephone and Internet research. To date, the company has completed hundreds of projects spanning all therapeutic categories and care settings. HRA has conducted projects for all major pharmaceutical and medical product companies.

The Project Team:

The project will be executed by a team of specialists employed by HRA and having substantial experience in pharmaceutical and physician specialty research.

The Project Leader will be Dilip Phadnis. To date Dilip has conducted over 50 major syndicated projects in the pharmaceutical industry. He has conducted pioneering projects studying many trends in the pharmaceutical industry such as Growth of Managed Care, Acceptance of e-promotion, the **Nursing Home Pharmaceutical Market**, New Product Launch Strategies and others. Dilip has over 25 years experience in strategic pharmaceutical market research. He has a B. Pharm and a MBA degree.

John Mitchell, Director of research will be guiding the research for this project. John has twenty years experience in marketing research on both client and agency side including several years at Sanofi-Aventis where he was **Senior Manager** of Marketing research.

A Project Director will co-ordinate the overall execution and analysis of the project.

Experience in Syndicated Projects:

HRA has conducted many syndicated projects in several therapeutic categories. Some of the leading titles are:

Hospitalist – Profile of a Growing Specialty and Promotional Opportunities
Medical Trends in Hospital Formulary Committees
Medical Trends in Acute Stroke Market

In-house Data Collection and Tabulation Expertise

Due to our in-house capabilities the data collection and tabulation for this project will be conducted by HRA personnel ensuring complete compliance with research specifications.

Additional information on HRA Research is available and can be provided upon request.