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Specialized programs made easy

By Matt Wallach, VP, sales and marketing, Verticals onDemand

The new Software as a Service model has fundamentally changed the economics of deploying a powerful yet tailored application to a small number of users. In particular, the technology opens the door to building customer relationship management programs for managed care account managers. This is important as managed care, along with the rest of the pharmaceutical industry, comes under fire. And unlike the rest of a company, managed care has very little record of past activities and no performance benchmarks. That is because managed care has been grossly underserved by IT.

For decades, managed care account managers have been segregated. They have been building relationships with major accounts from a remote pharmaceutical island, cut off from the rest of the company. This group has had a difficult time, especially without a relevant customer relationship management system like those that support the rest of the sales force.

Managed care is a highly specialized area with unique needs that do not neatly fit into common prepackaged sales automation systems. As an example, formulary management is not a component found in many sales systems, but it is vital for managed care account executives who are on the front lines vying for a better formulary position.

In addition, managed care account executives do not spend their workdays cold-calling dozens of prospects, yet call reporting is usually a large part of a typical sales system. Generalist systems simply do not offer the custom tools managed care account executives need.

"Managed care performance is becoming increasingly important to the overall health of a pharmaceutical company as both the regulatory environment and demographics continue to shift," says Dale Hagemeyer, VP, Gartner Research (gartner.com). "Most important is that managed care is often overlooked by pharmas when it comes to CRM tools. They often purchase a solution that is not optimal for managed care."

The reason for the discrimination comes down to money. Managed care is not only a highly specialized area, but is also relatively small. Depending on the size of the pharmaceutical company, managed care groups range in size from 10 to 200 employees — typically a very small percentage of the overall organization. With such a low number of users, technology companies have not been willing to make the investment in R&D to develop a specialized system for managed care. So traditional pharmaceutical CRM systems have been tailored to help 95% of the sales force, those calling on individual physicians and hospitals. The other 5% are the managed care account executives. The two are very different animals.

"In the not so distant past, CRM systems were focused primarily on the needs of pharma sales people in the physician channel," says Larry Green, president, Publicis Managed Markets, a Publicis Healthcare Communications Group (publicishealthcare.com) company. "But the industry has grown from a mostly detailing process with physicians to a more consultative and strategic process with major accounts where the account executive has multiple touch points within one account or health plan. He is dealing with a longer sales cycle, and multiple buyers and committees (like P&T committees) — essentially becoming the quarterback between the plan and the pharmaceutical entity. Traditional CRM tools never really worked effectively for this group. You need a very specific platform designed to meet the needs of managed care executives working amidst this new dynamic."

Software as a Service applications are built on a shared infrastructure and are accessible through a Web browser. All user activities are managed from a central location rather than at each user's site, enabling users to access applications remotely via the Web. This means that

the host handles all maintenance and upgrades to the system, so the users do not have to get their IT departments involved.

"SaaS has proven itself as cost effective while delivering against industry requirements in many sectors and can now do so in managed care," Mr. Hagermayer says. "This gives pharmas more choices, which is always a good thing."

One of the biggest reasons to upgrade the systems for managed care account executives is the unsettling state of flux that pharmaceutical companies have been struggling with since Congress and the current administration began focusing on healthcare reform. Thirty-three states have already enacted legislation that is draining the coffers of some pharmaceutical giants.

In what may be the most fiercely regulated industry in the United States, pharmaceutical companies are watching their product margins being eroded while coming under pressure to reduce product prices to compete with generics and satisfy consumers. Add to this the fact that hiring more sales representatives no longer translates into more sales and formulary status becomes the next big lever executives can pull in an effort to improve sales.

With pressure mounting, executives are being forced to root out inefficiency and maximize return on investment. The further they dig, the more problems they find, especially in managed care, where account executives have been working in a vacuum. With formulary status more important than ever, pharmaceutical executives must take a closer look at the activities of their managed care account executives and find ways to help them improve their efficiency and effectiveness.

The growing trend of consumerism affects nearly every department in a pharmaceutical company. Managed care is no exception. Until recently, poor access to information and little control over individual health care spending made it difficult to be a responsible, informed, value-seeking consumer. But an increase in consumer-directed products is advancing the consumerism trend. Health savings accounts, paired with high-deductible health plans, mean that consumers are assuming more of the financial burden and therefore paying greater attention to prescription drug costs.

"With the rising costs of health care and increased financial responsibility on the consumer, formulary position is critically linked to pharma success," says Brian Bamberger, senior VP, MediMedia Managed Care Group (medimediamanagedcare.com), a provider of formulary data.

To sell to today's price-sensitive consumers, pharmaceutical companies must secure the best formulary position for all their products. Failure to do so translates directly into loss of revenue. Pharmaceutical companies simply cannot afford to jeopardize formulary position due to ill-prepared or ill-equipped managed care account executives.

"Approximately 70% of all prescriptions go through an intense PBM formulary and reimbursement adjudication process at retail for managed care organizations, providers, and payers serving patients," Mr. Green says. "How successful the MCO is in this process affects the providers' and/or patients' drug choice. It's absolutely critical to get this right."

Software as a Service is generating a lot of attention because it is the only technology that makes the development of highly specialized products affordable to the mass market. Because users can access the system through any Web browser, advanced software is becoming easy to use, even for the technically challenged. SaaS applications are generally priced on a per-user basis, sometimes with a relatively small minimum number of users, and often with additional fees for extra bandwidth and storage. Revenue streams to the vendor are lower initially than traditional software license fees, but are also recurring and therefore viewed as more predictable.

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