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Boosted a Drug's Market Share Can Cross a Dangerous Line

By: Thomas Reinke

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> Coalition Against Insurance Fraud

Selling branded drugs, never smooth sailing, is an especially tough business these days. Well-established generics and brand names often have a lock on whatever drug class they fall into. Employers, health plans, and PBMs frequently put hurdles in the way of newcomers, using higher copays, prior authorization requirements, and step therapy policies that put less-established products at a distinct disadvantage. Drug manufacturers grouse about a lack of "market access" and a playing field that is far from level—especially with new drug launches, where long-term success depends on how much of a market share a drug can grab after it goes on sale.

One remedy, pharmaceutical companies believe, is hub programs. They're gaining traction as a way to push into markets and counter the clout of the payers and PBMs. Hub programs group packages of services (thus the term hub) designed to drive the marketing, sales, and utilization of a drug. Hub programs as a business have grown in tandem with the limited distribution agreements some manufacturers have with a select group of specialty pharmacies. Services include benefits investigations, prior authorization negotiations, delivery services, care management, and managing copayments and coinsurance issues for patients. Some simple hub programs zero in on just one aspect of a drug, while more comprehensive programs exert tight control over every aspect of a drug's revenue cycle. Some drug manufacturers create and manage their own hub programs. The more common approach is for a drug manufacturer to partner with a consulting firm to perform administrative tasks while a pharmacy, specialty pharmacy, or pharmacy network fills prescriptions and works with patients to keep them adherent.

Hub programs have emerged as a profitable new line of business in the sales and distribution side of the pharmaceutical industry that has got more than its fair share of wheeling and dealing. For the consulting companies, the programs mean multi-year contracts and for specialized pharmacies they can be more profitable than the contracts they have with PBMs. And a lot of drug manufacturers believe that an in-house hub program has the potential to generate more business than the old-school way of getting market share for a product—the hard slog of negotiating prices, rebates, and formulary placement with payers.

"Federal scrutiny of expensive hub perks is mounting and costly prosecutions and civil actions are warning shots of heightened scrutiny of pharma hub perks," agrees James Quiggle with the Coalition Against Insurance Fraud, an alliance of insurers, consumer groups, and government agencies. Court actions have alerted the hub industry to the legal difference between honest, profit-making arrangements and illegal backroom deal-making, he adds.

A month before it settled with Novartis, the Department of Justice reached a $9.25 million settlement with PharMerica, a nursing home pharmacy headquartered in Louisville, Ky. The department accused the company of soliciting bribes from Abbott for recommending that physicians prescribe Depakote (valproic acid), its antiseizure medication. Abbott settled with the federal government and individual states four years ago.

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