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Feature: Is there a role for OTC as US healthcare reconfigures?

Here, Nicholas Hall Network Partner Mary Alice Lawless discusses the factors driving dramatic change in the US healthcare system, and makes a case for OTC to play its part.

The US is the only country in the world where the employer pays the majority of healthcare costs. Today, the financing and delivery of healthcare in the US is undergoing a dramatic reconfiguration process. Previously separate stakeholders – health plans, pharmacy benefit managers (PBMs), retailers, pharmacies, healthcare providers, drug and consumer product manufacturers, e-commerce and cloud computing companies – are now combining, collaborating and colliding at breathtaking frequency.

Vertical integration in the headlines

CVS Health, one of the largest retail pharmacy chains, which acquired the Caremark PBM business more than a decade ago, announced its intention to do the same with Aetna, one of the largest health plans, in December 2017. CVS has a market cap approaching \$65bn, while Aetna's is almost \$57bn. Meanwhile, health insurer Cigna (\$41bn market cap) announced its intention to acquire Express Scripts Holding Company (\$39bn market cap), another pharmacy benefit management concern, in March 2018. In April Walmart (\$256bn market cap), the world's largest retailer, announced it is in talks with health insurer Humana (\$39bn market cap) about a "closer partnership".

And then there is Amazon, with a market cap of \$697bn, which can leverage its might in a number of ways. Analysts point to two main areas: (1) the distribution of equipment, drugs, and devices, and (2) healthcare administration. The company launched a line of OTC products under its own Basic Care brand in January 2018 in partnership with Perrigo. Amazon has also joined other large employers – JP Morgan Chase and Berkshire Hathaway – in a collaborative venture to, "improve the satisfaction of our healthcare services for our employees (that could be in

terms of costs and outcomes) and possibly help inform public policy for the country," according to JP Morgan Chase CEO, Jamie Dimon, in a letter to shareholders.

It is hard to grow companies of this size and scale, so combinations are often financially motivated. These mega-mergers are also a response to tremendous change across the \$3.5tn marketplace driven by aspirational policy and investments in technology. Across the quality, experience and cost dimensions, there is so much that can be done to improve healthcare; perhaps a less fragmented, more vertically integrated ecosystem will be better able to implement change.



Several Major Factors are Driving Change

The old US healthcare system (or some would argue, lack thereof) has been fully impacted by changes in health policy. Incentives have been changed away from those that fuelled a fee-for-service marketplace.

The new model, which is still evolving, is one that:

- Increasingly encourages connected care across a continuum, or even across lifetimes
- Is technology-enabled and built to generate, capture and use rich sets of data
- Organises care delivery and provides access to graduated points of care, including telemedicine, retail clinics, urgent care, specialty practices, ambulatory centers and hospitals

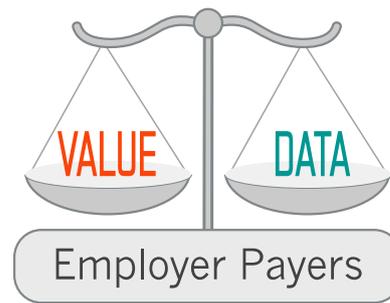
- Relies on consumers to be good stewards of their own health and to get connected for the best care at the best cost

Within this mosaic of factors are three considerations: value, data, and employer payers. Let's take them one at a time:

Value: We are now in our eighth year of the Affordable Care Act implementation. Value-based care is a reality. All parties paid in the healthcare ecosystem are being asked to take on payment risk; to track and report quality; and to prove the value of their product or service for each and every transaction. It is no longer an esoteric concept; value can now be measured and fairly paid for.

Data: The only way to prove value is with data. The US has invested billions into health IT since 2009, when \$24.3bn was committed to data and systems under the American Recovery & Reinvestment Act. Additional billions have followed in subsequent years. The Federal Health IT Mission is "to improve the health and well-being of individuals and communities through the use of technology and health information when and where it matters most." The investments are paying off. Today, the healthcare system is flush with data which can be used to report on quality and other value measures.

Employer Payers: There are two major payers of healthcare in the US market. According to Kaiser Family Foundation, the government pays for 35% of the US population, and employers pay for 49%. The remaining 16% of the population comprises individual payers and the uninsured. Both the government and employers want to pay for value. While government entities, like CMS, can mandate such, self-insured employers and health plans – commercial payers – cannot. Medicare and Medicaid unilaterally set the rates they pay. Commercial payers pay at the best rates they are able to individually negotiate with network parties – hospitals, doctors and other providers. According to Mike Tarino, Senior Fellow to the Foundation for Health Smart Consumers, "the result is that employers pay, on average, 2-3x more than the government for the same services." With the advent of data and the transparency required to facilitate reporting,



Employers now have evidence of this imbalance and they are eager to fix it.

Among these Employers, we count the aforementioned powerhouses of Amazon, JP Morgan Chase and Berkshire Hathaway. According to Dimon, this group has stepped up to create better workplace wellness programmes and "empower employees to make better choices and have the best options available by owning their own healthcare data with access to excellent telemedicine options, where more consumer-driven health initiatives can help."

Enter OTC and Consumer Healthcare

The consumer healthcare industry can and should join with employers to participate in and support consumer-driven health initiatives. Minimally, OTCs are a lesser burden to the healthcare system, as they do not require clinic, telemedicine, or in-person doctor visits. OTCs are also a great environment for learning. As consumers use OTCs for self-manageable conditions, the brand marketers and the industry should strive to provide continuous education and support. Finally, there is access. More products can and should be available to consumers without a prescription. This is possible, and desirable, with the evolution of a data-driven system. OTCs deliver value by removing many self-treatable conditions from the costly healthcare system. They can be safely and effectively used with the support of data and represent an important part of the solution set as employers encourage wellness and optimal consumer decision-making.

OTCs have a compelling message that should be heard through the noise of market disruption. Now is the time for OTC stakeholders to raise their voices and to become part of the US healthcare future. ✕

Mary Alice Lawless is CEO of Everything Health LLC, a consultancy for health transformation strategies powered by data analytics. She has worked directly with many of the world's most prominent healthcare companies and policy organisations. She regularly writes and speaks on healthcare transformation, in both public and sponsored forums. In addition to decades of business experience in leadership positions, Mary Alice is also a founding trustee and Board Chairman for The Foundation for Health Smart Consumers, Inc, an organisation which seeks to educate and engage individuals in health responsibility and care accountability. Previous to her current role, Mary Alice was President of Solara, a division of CommonHealth, a WPP Company. She also held professional positions with J. Walter Thompson and worked in journalism at ABC News, where she was on staff at *Good Morning America* and *World News Tonight*. She has been published in *Business Week* magazine and *Sales and Marketing Automation*. Mary Alice has won numerous awards and credits for initiatives which involved major corporate, non-profit and educational sector organisations. She is a recipient of the Healthcare Businesswomen's Association (HBA) Rising Star Award. She was also awarded the IBM Creative Use of Technology Award and the Rising Chapter Award for the Council of Growing Companies. Mary Alice can be reached at mlawless@everythinghealth.com and (001) 908 953 9280.



Mary Alice Lawless



20-21 JUNE 2018 NEW JERSEY THE FUTURE OF CONSUMER SELF-CARE & OTC



Nicholas Hall is delighted to invite you in New Jersey to discover more about the consumer healthcare industry at our conference co-hosted by Everything Health.

With Switch having been the main source of innovation in North America over recent years, this important two-day event will focus on what the future holds for Consumer Self-Care & OTC.



Everything Health provide support with experience and insights from the many dimensions of healthcare – from policy to public health to professional engagement to consumerism.

INFORMATION:

Venue: The Westin Governor Morris

Ticket price: US\$2,000

Booking Enquiries:

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