

FOCUS Health Care

UMass Med Spin Off Shakes Up Pharmacy Biz

MedMetrics takes on big competitors for market share

BY CHRISTINA H. DAVIS

Worcester Business Journal Staff Writer

The University of Massachusetts Medical School in Worcester is well known for spurring economic development, mostly within the biomedical or life sciences arena as researchers find marketable treatments.

However, not all spin offs from the medical school are created equal. And one — called MedMetrics Health Partners — is making its own mark on the local, regional and national health care landscape.

Behind The Curtain

MedMetrics is what's known in the health insurance world as a PBM or pharmacy benefits manager. That means the company works as a third-party administrator with HMOs and health care systems to deliver pharmacy benefits.

The average consumer has no idea who their PBM is and that's because they are really behind-the-scenes purveyors, negotiating deals for drugs and working with HMOs or employer groups. If they're doing their job right, you'll never know they are there, according to David Calabrese, chief clinical officer for MedMetrics.

But what's special about MedMetrics is not that it's just a unique spin off from the UMass system. It's also one of the only nonprofit PBMs in the United States. And it's taking on an industry dominated by three major, for-profit players: Express Scripts, Medco and CVS/Caremark.

So, how does MedMetrics manage to compete?

The advantage that MedMetrics has, according to its CEO Ellen Nelson, is two-fold.

"Our strength is our affiliation with the medical school and their knowledge base and commitment to improving the delivery of health care," she said.

The second strength, she said, is MedMetrics' "transparency." "Our motivation isn't necessarily that of a for-profit company. We bring the science of the medical school to the PBM."

MedMetrics, which has about \$200 million in annual revenues, was founded in 2004 by the medical school. Today, it has about 28 employees working out of its main offices in Worcester, according to Calabrese. While independent, it is still a subsidiary of the medical school and shares many resources with the school.



David Calabrese, chief clinical officer for MedMetrics in Worcester, a spin off from UMass Medical School.

The issue of transparency has become a major one for the PBM industry. It's come under fire over the years for providing kick backs and passing along hidden fees.

With health care costs rising at an astronomical rate, MedMetrics' claims that it doesn't pass along any fees was a strong argument for Neighborhood Health Plan, a Boston-based HMO. The organization signed on as a client of MedMetrics in 2005.

MedMetrics' case was helped by its "structure and the business model," according to Cathy Pappas, director of pharmacy for NHP. "Transparency is something we're very interested in."

More recently, MedMetrics scored a contract with the Springfield-based HMO Health New England.

Health New England's Medical Director Donna O'Shea said the HMO made the switch from a for-profit PBM to MedMetrics because as a nonprofit, MedMetrics was well-aligned with the HMO's mission.

"The problem in today's health care system is there are a lot of middle men taking money with their add-ons," she said. "We thought that if we could get down to the barest cost of drugs that would be the best for everyone."

While MedMetrics has had some successes in attracting new business like Health New England, it's still a very small player, according to Constantine Davides, an analyst for Boston-based JMP Securities LLC that follows the PBM industry.

"There are quite a few transparent PBMs out there, but none have had significant traction," she said in an e-mail to the Worcester Business Journal. "Most of the employers and health plans and unions we talk to go to the big three," Express Scripts, Medco and CVS/Caremark.

However, MedMetrics is focused on landing more clients and expanding its services. In particular, MedMetrics' CEO Nelson said the nonprofit is two weeks away from launching a new product aimed at small businesses in the Worcester region. The product is a purchasing collaborative that would allow small businesses manage their pharmacy costs.

But MedMetrics is also looking beyond Central Massachusetts into New England and New York for new business opportunities.

"We're looking at those areas where UMass is well known and well regarded. Our best matches are entities that have a social purpose as part of their missions," Nelson said. ■