

## Adjusting Incentive Compensation Goals in Challenging Contracting Environments

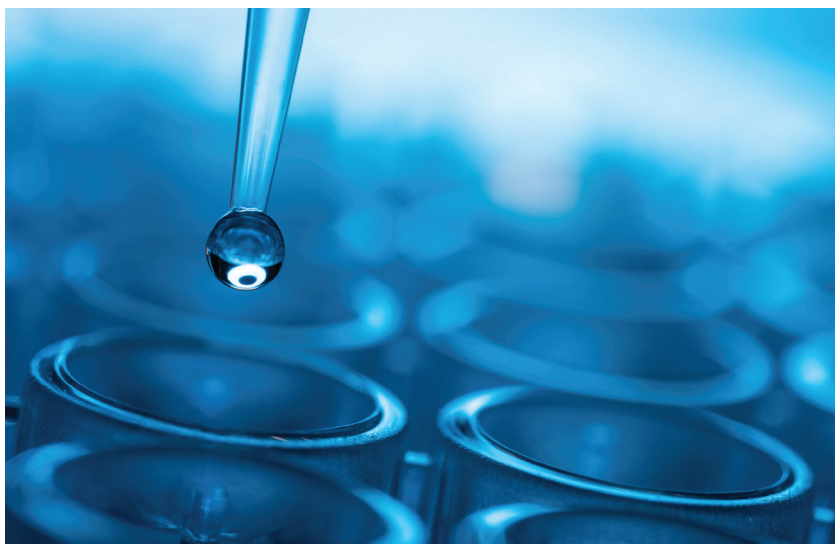
### Challenges

#### Adjusting Incentive Compensation Program Throughout Competitive Brand Lifecycle

A major drug brand on the market for nearly a decade established only a selective number of managed care plan contracts. In some areas of the country, contracting was almost completely eliminated and competitors controlled most of the market. Sales reps without supporting contracts had difficulty in achieving their quotas while reps with supporting contracts were performing to or above expectation.

The leadership team had to determine what adjustments should be made to sales rep goals to account for local variances in payer strategy and coverage, while keeping the sales reps motivated and driving sales.

**Decision Point: What adjustments should be made to sales rep goals to account for local variances in payer strategy and coverage?**



### \$50MM Sales Upswing from Adjusted Incentive Program



### Key Considerations

Key considerations for the sales leadership team were:

- The drug had strong competition in the marketplace
- Contracts in this therapeutic class affected physician prescribing decisions
- Sales for the drug had peaked at over \$1 billion, but had fallen since by 50 percent due to competition and selective payer strategy
- The drug would still be on the market for many more years
- Further decreases in contract coverage were expected

### Key Outcomes

Significant sales upswing of \$50 million from:

- Complete analysis of local payer environments
- Increased field motivation
- Quota reallocation



## Solution

### A methodical approach to understanding the impact of payer status

With its direct connection to incentive compensation, a “compensation grade” analysis was required that demands the highest standard of analytical rigor.

#### Stage 1: Data Production and Delivery

The data needed to perform such an analysis is complex and made up of many different data sets. Payer names are often different between data sets and there is no reliable linkage for systematic data integration. Additionally, the payer environment is complex, and the control a payer can exert is difficult to calculate precisely.

First, the Model N team took steps to analyze and organize the data from the following sources:

- 24 months of NRx and TRx sales at the physician and payer levels (IMS Xponent Plan Track Monthly)
- Historical contract status
- Anticipated future contract status

#### Stage 2: Analysis

The analysis continued as follows:

- Contract status was linked to each plan to classify the NRx/TRx as advantaged, disadvantaged, or neutral
- A territory level data set was created to show the percentage of NRx/TRx that was advantaged and disadvantaged
- Territories were placed into four groups from the least advantaged set of territories to the most advantaged group; various group sizes were formed from the data reflecting true market conditions

Those groups of territories with more negative payer environments performed at lower levels, and the difference in performance was examined using Model N’s Sales and Marketing Analytics.

#### Stage 3: Update Sales Quotas and Incentive Program

Information collected on expected future contracts was incorporated to determine future competition and marketability. Sales quotas were reduced for disadvantaged territories and increased for advantaged territories to maintain a zero-sum impact on the forecast for field allocation.

## Results

### Increased Motivation = Increased Brand Performance

Based on carefully constructed data sets leveraged by Model N’s Sales and Marketing Analytics, sales reps were given adjustments to their goals to level the incentive playing field and increase motivation and competition among sales reps. This increased motivation has impacted sales trends upward by \$50 million in the year of implementation.

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