



Five Critical Success Factors to Achieve Global Pricing Excellence in Life Sciences

2015 Annual Survey – Global Pricing in Life Sciences



Foreword

The \$US300 billion pharmaceuticals industry is undergoing a profound transformation. Cost containment initiatives by payers, governments and healthcare insurance organizations have created a challenging business environment with controlled pricing, promotion of generic alternatives and greater obstacles to bringing innovative drugs to market. With changing dynamics in the industry, achieving global pricing excellence is now more important than ever in order to continue having a viable industry, yet providing patients affordable access to medicines.

Model N and HighPoint Solutions conducted an annual Global Pricing and Market Access survey of experts in the pharmaceutical industry about the current global pricing business process, internal and external challenges and quality of existing software tools. We collected responses from 59 executives from 30 companies across 13 countries. The objective of the survey was to identify the key trends in the industry and perceived success factors across the globe.

We hope that the insights from the survey contribute to meaningful conversations within your organizations, particularly within the Global, Regional and Country Pricing, Market Access and Finance functions.



Charanya Kannan
Global Pricing and Market Access,
Model N



Jose Piedras
Director Pricing and Contracting,
Highpoint Solutions

67%
of companies
surveyed are
among the top
100 Life Sciences
companies
worldwide

— Source: Fortune Global 2015



Summary

The 2015 Global Price Management benchmarking survey showed a marked shift in the following three areas from the 2013 study— Global collaboration is lacking, resulting in internal misalignment of strategic pricing decisions; Decision Analytics is becoming increasingly critical to the business to ensure the right decisions are taken both in short term and long term; Industry’s shift to value based pricing is creating an urgency to have the toolkits ready to price effectively by value and indication.

As new drugs are launched globally, a well thought through pricing strategy is key to maximizing revenue and minimizing price erosion. Optimization of pricing requires coordination and alignment between Global and Affiliates, Market Access and Pricing teams. The 2015 survey highlighted the current challenges with global collaboration. Lack of global collaboration jumped from Rank 5 in 2013 to Rank 1 in 2015. With companies growing and acquisitions rampant in the industry, the need for global collaboration to make aligned decisions continues to grow at a rapid pace.

The survey also indicated the critical importance of investing in robust Analytical Capabilities as fundamental to negotiating profitable prices, predicting proper launch timing, diminishing parallel import losses, reducing the effects of reference-based pricing, setting consistent prices and reimbursement levels across global markets. Over 70% respondents report dissatisfaction with current state of analytics capabilities. In addition about 80% of the respondents remain concerned about the lack of integration of all necessary data sources such as most accurate pricing database, competitor pricing and reimbursement data, Country Reference Rules, Indication and Launch Information, Sales and Budget data, Tender information, ERP and financial systems leading to unavailability of the complete picture to make decisions.

With continued reforms intending to reduce healthcare costs, pharmaceutical organizations continue to think about creative pricing and contracting strategies. The emphasis on a new value-driven healthcare system is forcing pharma companies to demonstrate real, measurable value to stakeholders and, as such, re-engineer the approaches to commercialization and pricing. This trend is now demanding the need to have tools and mechanisms to set, monitor and execute value-based pricing agreements. Value-based pricing agreements have been in use for a decade, with higher prevalence in the last five years. However, over 70% of the respondents either do not have or are dissatisfied with the current statue of Value-based pricing toolkits. Not having such toolkits hinders the organization from optimizing the prices by value and tracking the past performance of the value based pricing decisions.

“The insights of this survey offer a unique opportunity to drive a business case internally for our investments in global pricing capabilities and see potential for improvements. In the current complex and competitive environment, it is vital for pharmaceutical companies to organize themselves in developing capabilities and best practices to optimize pricing revenues. This survey provides insights into where other companies are focusing their efforts in Pricing and Market Access, and supports the evaluation of our potential for improvements versus trends in the industry.”



Martina Jerabkova
Global Pricing Manager
Ferring

Analysis

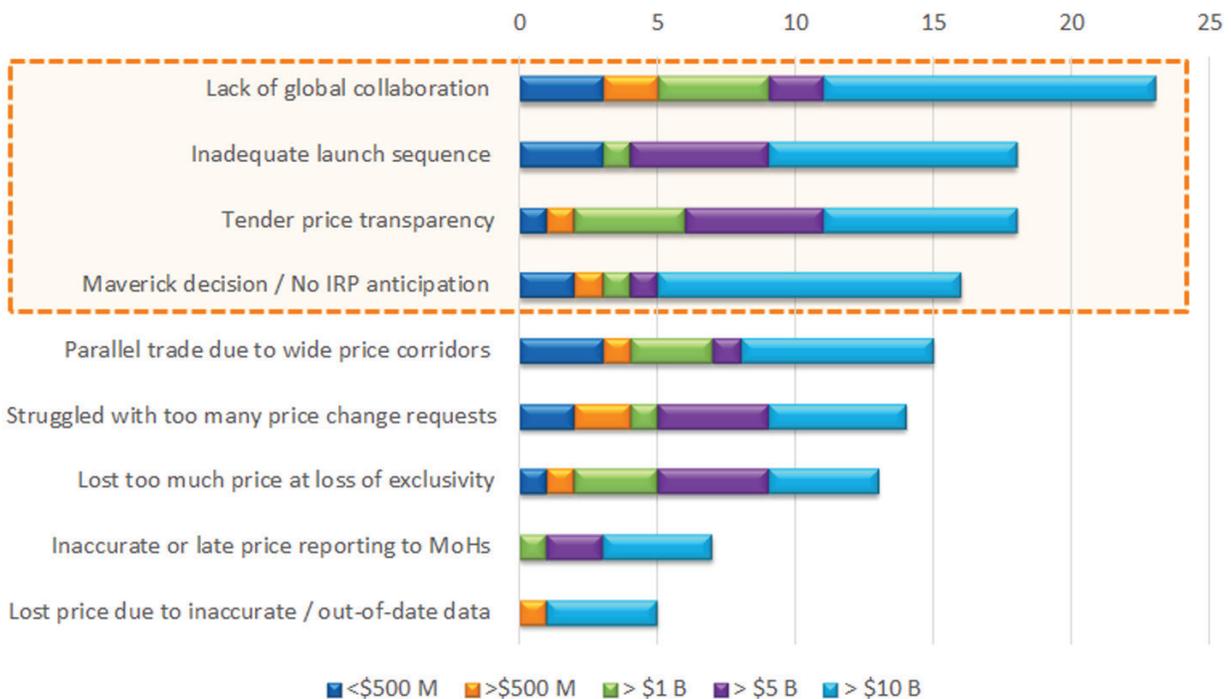
Large pharmaceutical manufacturers have achieved higher automation levels in terms of Pricing Capabilities; however challenges continue with collaboration and analytics

Global collaboration and analytics pose a significant challenge and hinder decision making. Inconsistent operational procedures are giving rise to organizational initiatives to automate workflows for pricing approvals in order to harmonize price governance. Aligned decision making with global collaboration is critical and is fueled by acquisition growth.

Launching new products and new indications is becoming increasingly fraught with pitfalls. Payers are demanding more evidence, pushing financial risk to the manufacturer, and insisting on more reviews. The traditional launch planning practices are struggling to cope with the new reality.

Approximately 60% of respondents think that the current state of tools to manage tenders is inadequate. Areas such as lack of tender price transparency and the struggle with frequent price change requests continue to remain in the 'needs improvement' category.

Fig: Among the Global Pricing challenges below, which 3 have you most experienced recently?



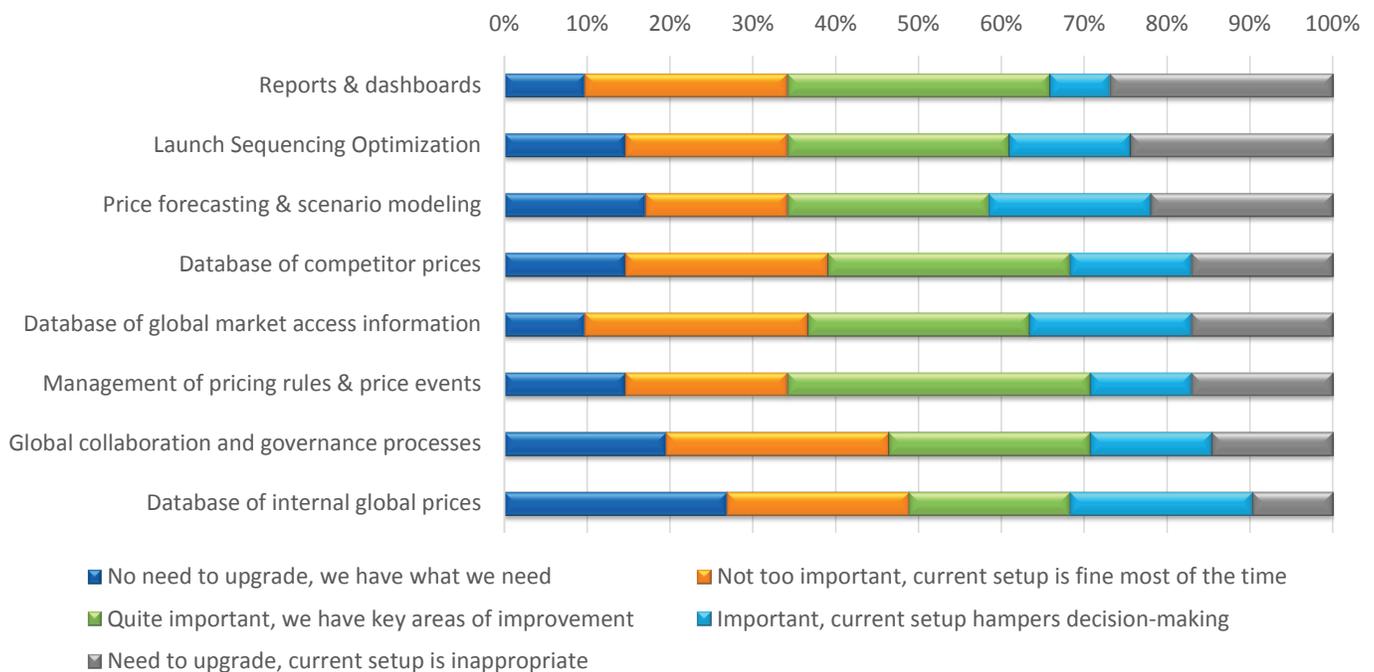
Analysis *(continued)*

Over 65% of pharmaceutical manufacturers will continue to invest in analytics (compared to the 50% observed in 2013)

While home-grown applications continue to dominate the market, these applications are used primarily as operational price repositories. Excel continues to be the standard for reporting and analytics and with limitations is driving the need for change and investment in analytics.

Given these challenges, companies report in this survey the highest potential investment areas for the next 24 months to be Launch Sequence Optimization, Price Forecasting / Modeling and Pricing Analytics.

Fig: Overall, how important is it for your team/ organization to improve on the following capabilities in the next 24 months





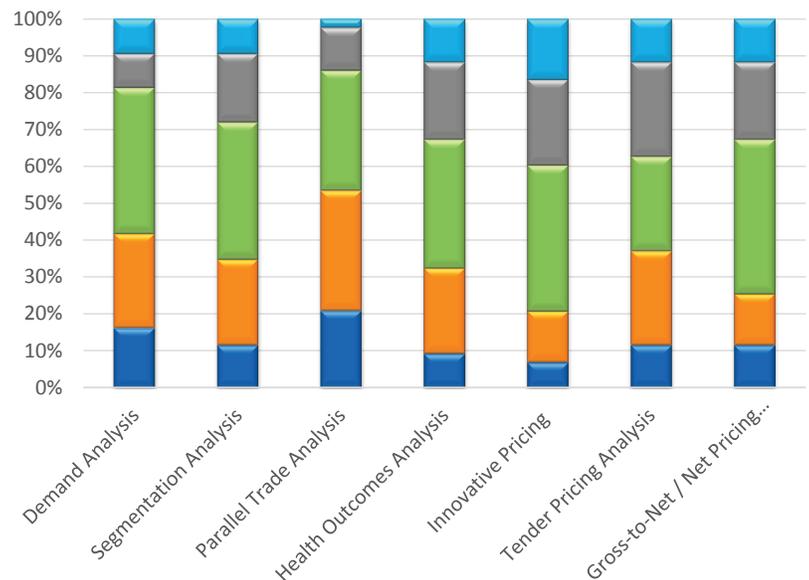
Analysis *(continued)*

There is an increasing trend (~ 15%) on the need for Value-Based agreements requiring improvement in 4 key areas: Innovative Pricing, Segmentation, Gross-to-Net and Health Outcome Analysis

With continued reforms intending to reduce healthcare costs, pharmaceutical organizations continue to think about creative pricing and contracting strategies. The emphasis on a new value-driven healthcare system is forcing pharma companies to demonstrate real, measurable value to stakeholders and, as such, re-engineer the approaches to commercialization and pricing.

Innovative Pricing and Health Outcome Analysis: The optimization of pharmaceutical pricing is undertaken in a number of different contexts. At the most simplified level pharmaceutical products can be grouped by the size of their indicated patient base and the level of product differentiation and innovation - comparative effectiveness research (CER), evidence-based medicine (EBM). The pricing of pharmaceutical products is largely determined by the balance between the levels of product differentiation and patient base.

Segmentation Analysis: In order to determine optimal pricing strategy, pharmaceutical companies must understand all critical factors impacting the prescribing decision. Most importantly, companies must determine how their product stacks up against alternatives with regard to key attributes such as efficacy, safety, tolerability, cost of treatment and convenience. The need of patients, physicians, pharmacists, commissioning groups, regulators, and payers must also be determined along with the specific medical conditions for which the product will be used.



- Need to improve, current state is inappropriate
- Important, current state hampers decision-making
- Quite important, we have key areas of improvement
- Not too important, current state is fine most of the time
- No need to improve

Fig at right: How important is it for your team / organization to improve on the following analysis mechanisms



Conclusion

Model N is committed to defining the pulse of the Global Price Management market and with over 14 years of experience serving the world's largest brands, we have identified the five key success factors to achieve global pricing excellence:

- 1** Organizational design and key stakeholder collaboration is key to adapting to the evolution and transformation of the industry. Getting the collaboration and alignment not only between the country, region and global team, but also between Pricing, Market Access and Finance functions is a game-changer.
- 2** To make informed investments and trade-offs for launch and in-market pricing decisions, it is critical to adopt sophisticated tools which can evolve with the market for planning, reporting and decision making.
- 3** Access to trusted, reliable information is crucial such as external referencing rules, up-to-date prices, market access information, all in one centralized location.
- 4** Deep understanding of competitors' strength and past behavior not only in your market, but also in other markets, is essential.
- 5** Establishing Processes and Governance which define clear roles and responsibilities of the team, pricing policy and out of policy protocols is just as much important.



Contact Us

Revvu Global Price Management

Revvu Global Price Management (GPM) by Model N is the only enterprise-grade SaaS solution for Pharmaceutical manufacturers focused on maximizing revenue by managing product pricing from launch to retirement. Built for international pricing and market access department leaders, the solution helps global pricing teams realize better prices throughout a drug's life cycle, execute pricing strategy by more effectively and drive better business governance with unified pricing and data processes. It is the only global pricing software solution for the pharmaceutical industry built on the Salesforce1 platform which delivers business continuity, collaboration efficiency and work practice flexibility. Revvu GPM customers represent over 2,000 seats in over 100 countries, supporting product portfolios that collectively generate over US\$100 billion in revenue.

For more information on Revvu Global Price Management, contact us at info@modeln.com or visit www.modeln.com/gpm

Model N

Model N is the leading provider of Revenue Management and analytics solutions for Life Sciences manufacturers. Our Revenue Management solutions deliver substantial value by enabling our customers to capture lost revenue, improve gross margin, and reduce financial risk. Top ten and emerging industry leaders use Model N analytics solutions to gain actionable intelligence and drive strategic decisions across Marketing, Sales and Finance.

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HighPoint Solutions has a dedicated Pricing, Contracting & Market Access management practice with extensive industry and technology expertise that brings a proven framework for the entire contract lifecycle. Our PCMA practice has the experts who have creatively and consistently developed more effective and efficient contracting organizations within the industry from both strategic and operational perspectives. Our experts have developed the Strategic Tactical Administrative Remittance (STAR)SM framework for pricing, contracting and market access to address industry issues and create value-added offerings.

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