

Pharmaceutical and Medical Technology companies are seeing increased competition and regulatory demands. These dynamics appear in changes to business models, new and increased requirements, and high-velocity M&A. Adapting to these changes can be difficult when the time and costs required to keep pace are outside an organization's core competency. Maintaining outdated on-premise installations can hold companies back. A move to the business application vendor's cloud offering has the potential to significantly improve Pharmaceutical and Medical Technology companies' competitive advantage. The strategic benefits are substantial: better business agility to integrate new acquisitions or divest existing business assets, better compliance with the latest regulatory requirements, and less business disruption from periodic upgrade and customization projects.



Hobson & Company, a research firm which focuses on Total Cost of Ownership (TCO) studies, worked with Model N to help quantify the typical areas and magnitude of spend an organization incurs in managing the on-premise system in order to expose the breadth of cost areas that should be considered when evaluating a possible move to the cloud. Research consisting of in-depth interviews with eight

existing customers found that Model N Cloud could address customer challenges, while delivering measurable cost savings. During the research, Hobson & Company determined an average ongoing savings of about \$2M per year, after the initial SaaS implementation, from moving to Model N Cloud.

In addition to these \$2M per year cost savings, Model N customers described three core strategic benefits from moving to Model N Cloud – better business agility, better compliance, and less business disruption, which are discussed below.

Model N Cloud – Strategic Benefits

Building infrastructure for business agility

Customers had each been through one or more M&A events in the past few years. Each event involved large resource commitments, complicated integration plans, temporary system workarounds, and revenue leakage. Moving to Model N Cloud ensures customers are always using the latest software and can leverage multi-divisional and multi-organizational technology to swiftly integrate acquired entities, also in Model N Cloud. This helps: focus integration planning while limiting integration costs; realize acquisition synergies quickly while avoiding revenue leakage; and enable IT as a strategic partner to the business, helping the business be more competitive, all while providing a more stable platform.

Maintaining regulatory compliance and reducing costs to comply

Model N customers consistently reported steep costs to stay compliant with regulatory requirements at the federal and state levels, cost in terms of money and resource time required. Fines for missing deadlines or incorrectly reporting are huge. Further, regulations are constantly changing as the healthcare industry evolves. Customers with on-premise implementations require many internal and external resources to implement periodic upgrades as well as technically and functionally test, to mitigate the financial and regulatory risks. These regulatory change response upgrades have traditionally been built and delivered custom for every customer requiring them as a Regulatory Update Pack (RUP). Due to constant Federal and State change, an average of 2 RUPs per year over the prior eight years have been required; this increases the burden on internal resources and increases risk with customized delivery for on-premise customers. Whereas, customers in Model N Cloud have access to evergreen technology – three new seasonal releases each year and RUPs delivered through standard monthly and quarterly release packs. Software updates via Model N Cloud are technically tested and certified for meeting the latest regulatory requirements.

Limiting business disruptions and managing change

Change management is not easy. It is easier in Model N Cloud than with on-premise implementations. Maintaining an on-premise platform requires periodic upgrades, patches, and customizations, including scoping the change, requesting budget, augmenting staff for implementation and testing, and re-training the business on new technology. Operating software via Model N Cloud offers predictable seasonal releases. Upgrades are automatic and incremental, not giant leaps, which limits the need for large implementation and testing teams.