

Model N

Novartis and Model N: Partners in Revenue Management

INTRODUCTION

The stated corporate mission of Novartis is to reimagine medicine to improve and extend people's lives. This strategy is powered by a robust advanced therapy platform as well as extensive data sciences. These technologies assist Novartis in developing innovative treatments, as well as manufacturing over 1000 generic and biosimilar medicines that address a range of therapeutic areas. Novartis' products are sold in 155 countries and its manufacturing encompassed over 72 billion treatments worldwide in 2019. In order to manage this broad and important product portfolio, and bring these products to market with efficient contracting and pricing capabilities, Novartis chose to partner with Model N for revenue management.

Novartis has been a user of Model N's revenue cloud for life sciences for over 15 years, as one of Model N's founding clients

1000 MEDICINES

1000 Generic and biosimilar medicines that address a range of therapeutic areas

155 COUNTRIES

Novartis' products are sold in 155 countries

72 BILLION

72 billion treatments worldwide in 2019

Novartis has been a user of Model N's Revenue Management Powered by N for Life Sciences for over 15 years, as one of Model N's founding customers. Over the years, Novartis has leveraged the Model N platform to automate pricing and contracting activities across its US and global businesses, including several key acquisitions and multiple divisions. However, the company had used a big bang upgrade approach and was not upgrading regularly to take advantage of new functionality releases. With the pace of regulatory changes, Novartis needed a regular upgrade approach. Novartis' strategy has evolved, as they've adopted a more data-centric corporate strategy, and there was significant new functionality that was expected to be helpful to users. As a result, the two companies deepened their partnership over the past 18 months to update and upgrade Novartis' technology stack, with the end goal of optimizing the solution to serve even more divisions, while extending the automation and analytics capabilities and preparing for a move to the cloud.

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Novartis selected Model N because it found strong functional alignment with the incumbent Model N product

The solution that was implemented included Revenue Management for chargebacks and rebates, which went live in Spring 2020

Long term, Novartis does plan to move the implementation into the cloud and operationalize their investment in process improvement to serve more departments. This is well aligned with Novartis' stated mission, to **"use science and technology to address some of society's most challenging healthcare issues,"** according to the company's website. Drug pricing is certainly among the most commonly discussed healthcare issues today.

THE PROJECT PLAN

The main drivers for this most recent project were Novartis' desire to upgrade to a more modern platform and infrastructure, while allowing users to access more features. Also, there was a need to eliminate ancillary solutions that were implemented to create an end-to-end solution. The focus was making the entire organization more efficient by adding stronger analytics to capture customer insights, improving and automating processes with complex strategies, and adding visibility into data for associates analyzing plan performance.

The planning process for the project was quite extensive. The work with Model N included conference room pilots, multi-divisional assessments and a close look at Model N's cloud capabilities. All anticipated issues were carefully considered as part of the planning process. While an industry scan was done to look at other software providers, Novartis selected Model N because it found strong functional alignment with the incumbent Model N product, and the majority of the functionality they needed was available out of the box, with limited customizations. Like most life sciences companies, Novartis' revenue management practice was simply too specialized for horizontal applications like SAP or other legacy ERPs. Novartis' data was complex and difficult to migrate and they required the deep knowledge and life sciences expertise of the Model N team.

The solution implemented included Revenue Management for membership chargebacks and rebates, which went live in Spring 2020. Novartis also implemented an enhanced Chargebacks solution, and a third-party data lake capability providing advanced analytics, dashboarding and ad hoc reporting. While this initial implementation did not add all the needed functionality or take Novartis' environment into the cloud, the solution was designed around their eventual goal of adding the Government Pricing solution to the suite and moving to the cloud.

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BENEFITS AND LESSONS LEARNED

Among the lessons learned from the project, the team recommends that future implementors not underestimate the complexity of their operations and be thorough in planning, beware of adding additional elements to the scope, like the data lake at Novartis, as they may slow the project, and find ways to manage downstream testing better.

The benefits from the implementation at Novartis were seen almost immediately. Staff report time savings and process improvements from new automation, functionality of ancillary solutions has been brought into the product, and high user satisfaction and feedback are universal. In Figure 1 below, Novartis articulated the 14 benefits following the implementation, as documented internally. Central to the benefits observed was their ability to prepare and position their future roadmap. The team also appreciated the strong collaboration and responsiveness of Model N and its partners, Eversana and Cognizant, who participated in the implementation.

Return on investment (ROI) is also important, and the Novartis team continues to measure this as the effects of the project are realized. ROI is difficult to measure in complex situations like this implementation, but anecdotal reports reveal the team is more efficient and able to devote more time to strategic projects like 340B, managed market finance and analytics, instead of repetitive tasks. While the tools bring a new focus to 340B where the team expects to see additional revenue leakage captured, the core revenue management operation was already quite strong, and the net effect on revenue leakage is expected to be neutral.

Figure 1: 14 Implementation Benefits at Novartis



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Allow a consolidated voice and process for all divisions, and allow analytics to be leveraged across the company, increasing the benefits

THE PLAN GOING FORWARD

Novartis viewed this project as a stepping-stone toward the Model N cloud. Because it had been some time since the system was implemented and many modifications had been done, this additional round of upgrades was necessary to move Novartis off customizations and onto off-the-shelf product allowing for easier upgrades in the future.

However, the Novartis team is not stopping here in their work with Model N. A new round of implementations is expected to begin shortly that will add government pricing capabilities to centralize several siloed implementations of legacy products. In the future, the revenue management capabilities will be extended to additional divisions within Novartis and offer revenue management services to new and emerging businesses within the company.

Ideally, the Novartis of the future would look to expand their shared managed markets finance offering to other affiliates. This will allow a consolidated voice and process for all divisions, and allow analytics to be leveraged across the company. This proactive, centralized, agile approach to revenue management is expected to serve the company well and help prepare for the future, despite the accelerating pace and nature of changes in the industry.

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