

# 2026

# STATE OF

# REVENUE

A SURVEY OF LIFE SCIENCES  
REVENUE MANAGEMENT LEADERS

Model N

8th Annual State of Revenue Report

Proprietary research conducted through a partnership with **Dimensional Research**

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# Introduction

In the dynamic life sciences industry, leaders continually strive to evolve and adapt their business-critical revenue processes to new challenges and market realities, while focusing on innovation and strategic growth. Of particular concern is optimizing gross to net (GTN), which requires effectively managing pricing, rebates, contracts, and other revenue-impacting activities. Addressing issues early and throughout the GTN lifecycle would have a material impact on profit margins, according to 96% of pharmaceutical leaders and 90% of medical technology leaders.

Life sciences leaders are also seeking guidance as they navigate the ever-changing landscape of government regulations and compliance requirements. Eighty-four percent of life sciences leaders struggle with regulatory ambiguity and find it difficult to implement processes that prevent non-compliance.

For the last eight years, Model N has set out to uncover how life sciences (including pharmaceutical and medical technology) leaders are embracing opportunities and overcoming challenges in modern revenue optimization and compliance. This year's report endeavors to answer four key questions:

**1** How are current market forces impacting GTN?

**2** What steps are life sciences companies taking to adapt to the current regulatory environment?

**3** How is technological innovation impacting GTN outcomes?

**4** What value have leaders seen from artificial intelligence?

This report, commissioned by Model N with research conducted by Dimensional Research, is based on the results of a survey of more than 400 strategy and finance, operations, and technology leaders who are directly responsible for revenue management at large pharmaceutical and medtech manufacturers.

## Revenue management

Refers to optimizing revenue activities to maximize growth and profit. Activities include, but are not limited to, rebates, compliance, contracts, and price modeling across multiple functional areas such as sales, finance, IT, and operations.

*Note: Percentages in this report may not add to exactly 100% due to rounding or where multiple responses are allowed.*

## SECTION 1

# Growing complexity disrupts the ability to shrink the GTN bubble



**2/3**

of leaders believe **commercial utilization rebates** hold the greatest potential for reducing revenue leakage.



**94%**

of leaders agree that addressing issues throughout the **GTN lifecycle** would materially impact their company's profit margin.



**37%**

of life sciences companies have seriously **considered** withdrawing from Medicaid.

# Growing complexity disrupts the ability to shrink the GTN bubble

## Business leaders are eyeing opportunities to improve profitability

For life sciences manufacturers, the growing divide between list prices and net prices after rebates, incentives, and other reductions is a strategic concern. GTN impacts profitability, competitiveness, and future growth — and optimizing GTN in recent years has become significantly more difficult. Nearly all (99%) of life sciences leaders agree that GTN has become more complex, which is likely one of the reasons the GTN bubble hit an all-time high at \$356 billion.<sup>1</sup>

The top factor contributing to this complexity is the ever-growing influence of pharmacy benefit managers (PBMs). These powerful intermediaries heavily impact the industry by controlling patient access, influencing formulary decisions, negotiating deep discounts and rebates, and constructing value-based care models. C-suite executives are especially concerned by PBMs' increasing demands and control, with 81% listing them as the number-one reason GTN is so complex.

To improve profitability in 2026, one-third of life sciences leaders are prioritizing increased sales through expanded market access and the launch of new products. Second in priority is decreasing operational costs. There's one exception to this priority order: companies with more than 10,000 employees. More than half (56%) of large-scale enterprises believe that the most important tactic for increasing profitability is improving productivity and operational efficiency.

*The top three factors impacting the complexity of GTN*

**61%**

Pharmacy benefit managers' increasing demands and control

**54%**

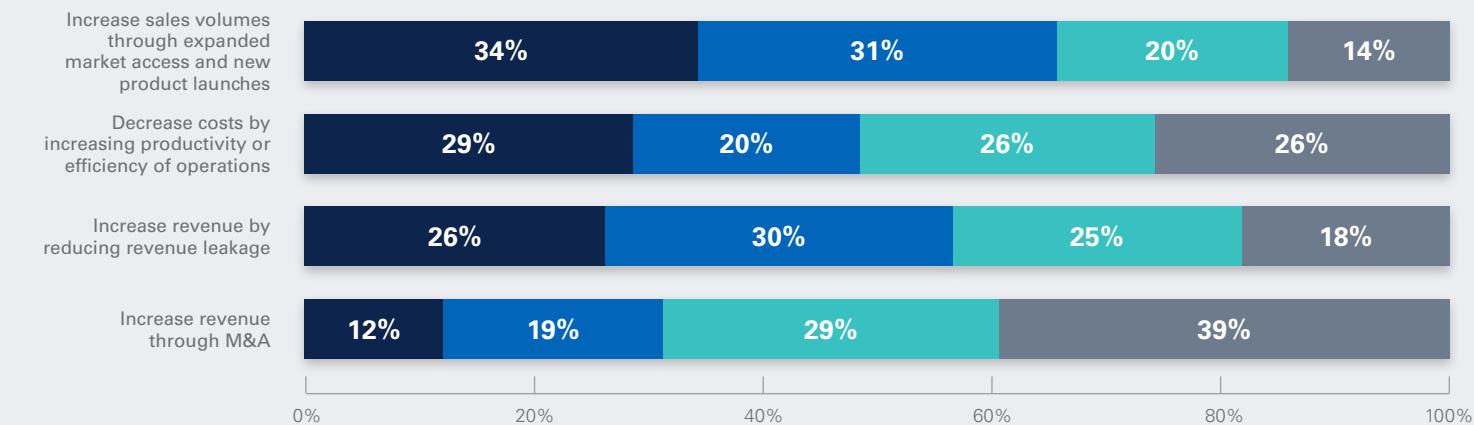
Expansion and evolution of government pricing programs

**53%**

Proliferation of patient assistance programs and payer countermeasures

### Tactics expected to impact profitability in 2026

■ 1 – Most impact ■ 2 – Some impact ■ 3 – Less impact ■ 4 – Least impact



<sup>1</sup>Dr. Adam J. Fein, Ph.D. "Gross-to-Net Bubble Hits \$356B in 2024—But Growth Slows to 10-Year Low." *Drug Channels*, July 15, 2025. <https://www.drugchannels.net/2025/07/gross-to-net-bubble-hits-356b-in.html>

Overwhelmingly, C-level executives do not believe decreasing operational costs will be the most impactful approach to increasing profitability. Only 9% listed this tactic as their top priority, compared to 38% of vice presidents and 34% of directors. Instead, executives plan to focus on increasing sales revenue and reducing revenue leakage.

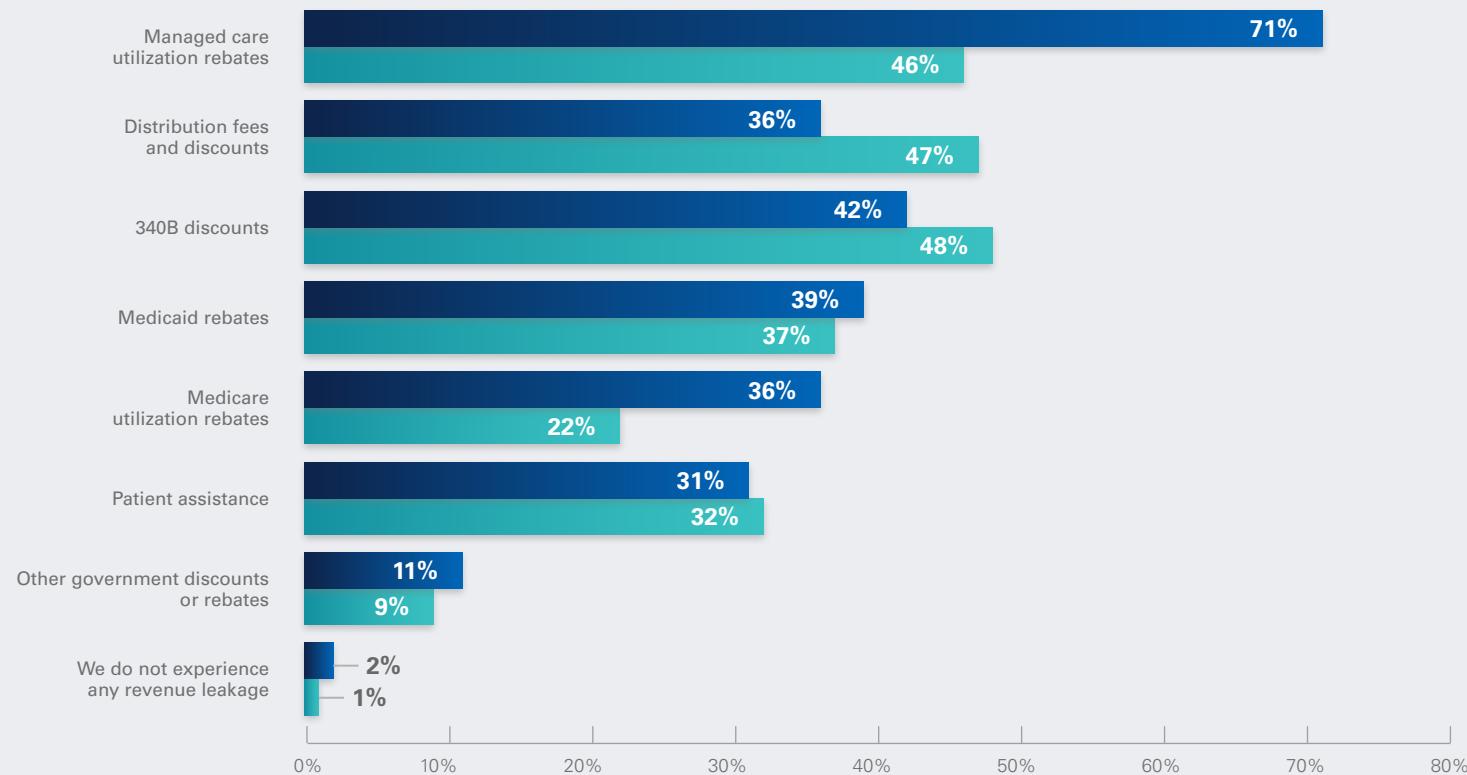
When it comes to reducing revenue leakage, there's one distribution channel that 71% of pharma leaders and 46% of medtech leaders believe holds the most potential: managed care utilization rebates. While medtech companies that operate exclusively in the device space are typically not directly exposed to these types of rebates, medtech leaders may have selected this option for several reasons.

For some medtech companies, diversified portfolios or solutions that are closely linked to pharmaceutical therapies may introduce exposure to rebate- or discount-like mechanisms that resemble those more common in pharma. Others may consider managed care rebates as a proxy for broader pricing, contracting, or reimbursement-related leakage. Additionally, some medtech leaders may be anticipating future regulatory or policy shifts that could expand medtech participation in programs historically associated with pharmaceuticals.

While the specific mechanisms differ, pharma and medtech leaders recognize meaningful opportunities to address revenue leakage across their respective distribution channels, with varying implications for GTN performance.

#### ***Areas with the greatest potential for reducing revenue leakage***

■ Pharma ■ Medtech



## Companies approach government policies with mixed reactions

The last few years have seen a flurry of changes in government policies affecting life sciences companies. As with any change, impacts could be positive or negative. The majority (98%) of leaders believe numerous government policies will have some impact — either positive or negative — on their business.

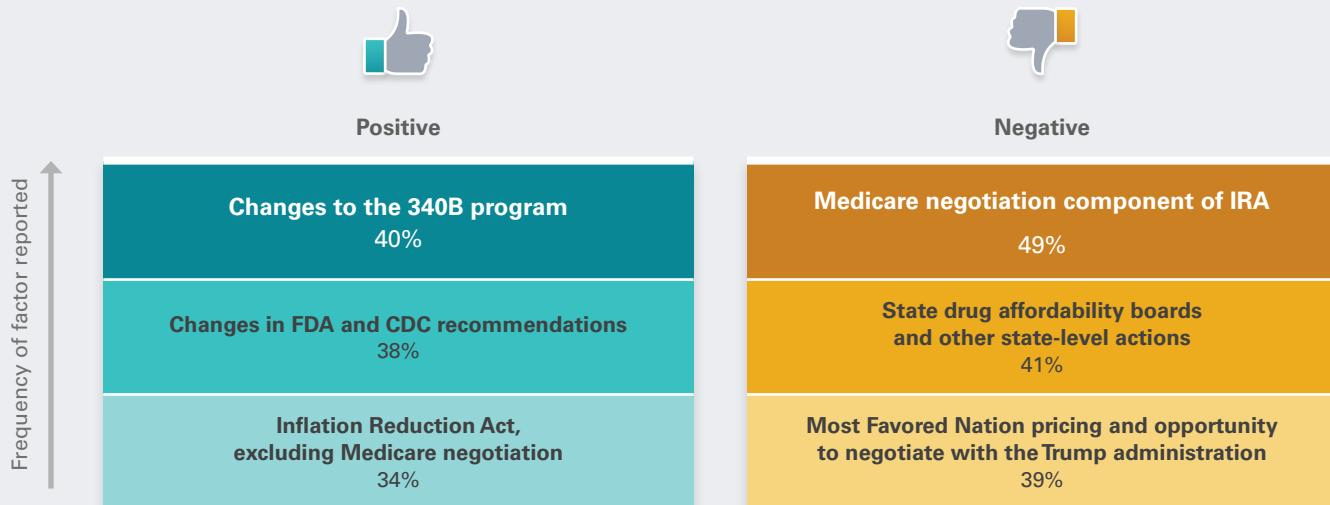
Changes to the 340B program, including the rebate pilot, are the biggest bright spot for 40% of leaders.<sup>2</sup> For pharma companies, the rebate pilot could fundamentally reshape the 340B program by improving transparency, preventing duplicate discounts, and standardizing processes. While 340B impacts pharma companies directly, medtech leaders are likely encouraged by the possibility that the rebate model could better balance safety-net access with financial sustainability in other federal pricing programs.

Pricing-related government policies are drawing the most negative attention. Nearly half (49%) of life sciences leaders are concerned that allowing Medicare to negotiate the price of prescription drugs with manufacturers under the Maximum Fair Price (MFP) component of the Inflation Reduction Act (IRA) will harm their business. They recognize possible ramifications of reduced revenue and shorter periods of market exclusivity for new drugs, which would stifle innovation. Additionally, cuts to Medicaid and Medicare coverage changes stemming from the One Big Beautiful Bill Act of 2025 could lead to an increased need for manufacturer discounts and patient assistance.

**49%**

of life sciences leaders worry the **Medicare negotiation component of IRA** will negatively impact their companies.

### *Expected impact of government policies on life sciences companies*



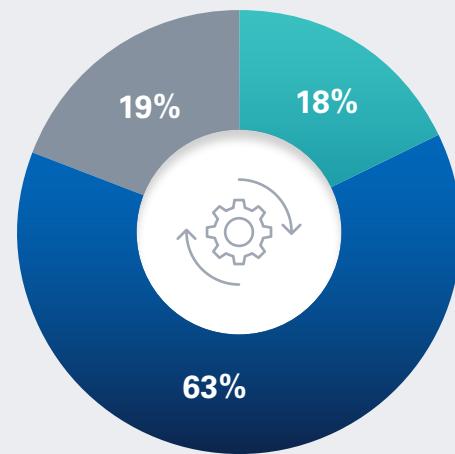
<sup>2</sup>As of the date of the Model N 2026 State of Revenue Report's publication, the HRSA has put the 340B rebate model pilot program on an indefinite hold in response to a federal court order.

Along with evolving government regulatory policies, life sciences organizations are facing uncertainty surrounding tariffs and other executive actions. Nearly two-thirds of leaders take a structured response to abrupt changes. These companies have a framework in place to respond, but they wait for additional information before acting. Approximately 20% of companies act as soon as new guidelines are announced, and the other 20% hold off until the situation stabilizes and long-term policy changes become clear.

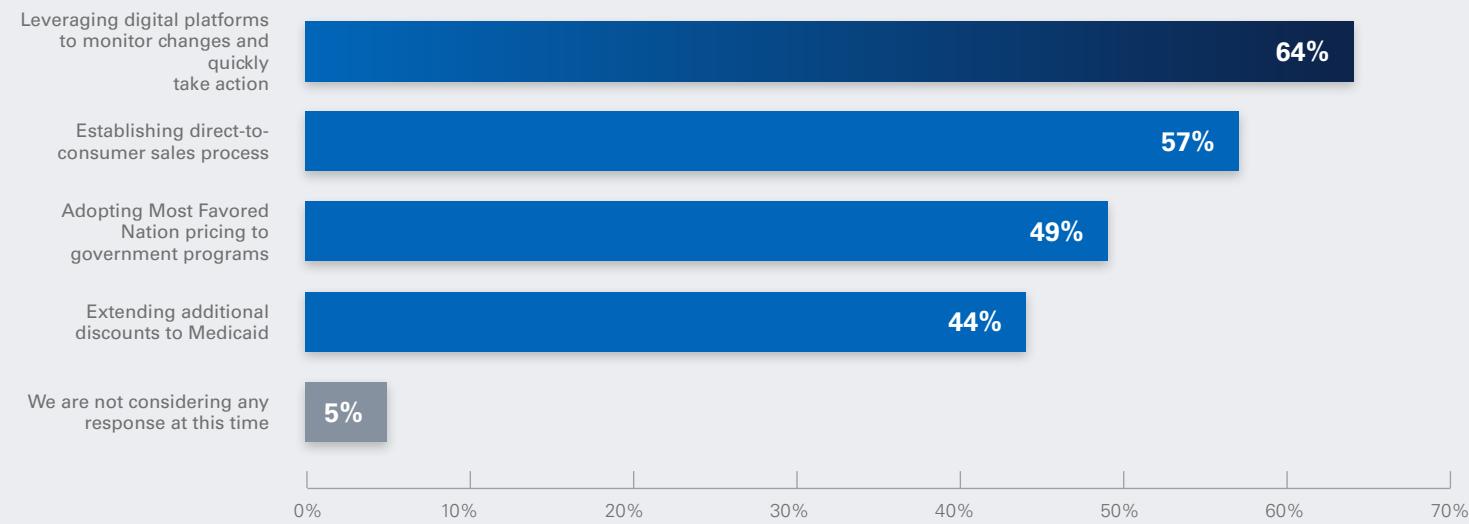
Regardless of their overall strategy, 95% of leaders are considering or taking steps to respond to these situations. Using digital platforms that monitor changes is the preferred approach for 64% of companies, as they help leaders act quickly. More than half (57%) of leaders are looking to establish new sales channels to go directly to the consumer.

### ***Response to executive actions***

- **Rapid response** – We immediately act to put plans and programs in place as new guidelines are announced
- **Structured response** – We have a framework in place to respond, but will wait for additional detail before taking action
- **Wait-and-see** – We hold off on taking any action until the situation stabilizes and long-term policy changes become clear



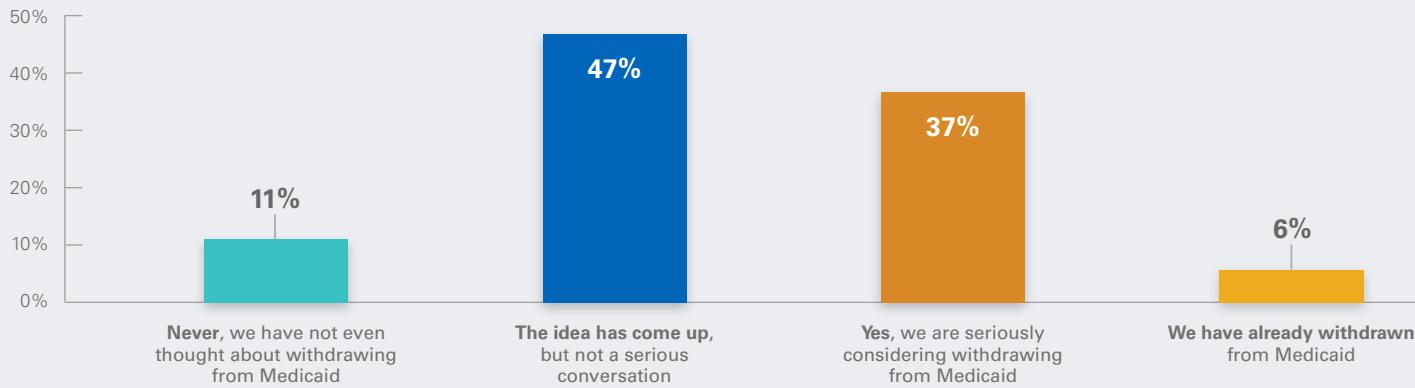
### ***Steps considered or taken in response to executive actions***



## Complexity leads many to consider withdrawal from the Medicaid program, but few act

Medicaid, along with its requirement to participate in other federal programs, has created a loss leader for many life sciences manufacturers. While manufacturers do not expect to make significant profits in the government sector, products cannot be sold at a loss. This reality has led 89% to examine their participation in the program, and more than a third (37%) have seriously considered withdrawing.

### *Have companies considered withdrawing from Medicaid*



## Model N's view on the results



### Preparing for potential regulatory changes requires a multifaceted approach.

Manufacturers should anticipate possible impacts to people, processes, and technology. Next steps should likely include:

- Identifying ways to enable cross-functional and global teams
- Integrating pricing functions for the U.S. and the rest of the world
- Leveraging tools to automate international reference pricing and global launch optimization



**Any manufacturer considering withdrawing from Medicaid should conduct a comprehensive and measured review before taking action.** This decision is a significant one and should not be made based on data at a singular point in time. Key areas that must be considered are:

- The drugs on the market today, as well as future product launches
- Restatements for historical periods when they were still on Medicaid
- Patient access and assistance programs that would or could replace Medicaid and their associated costs and logistics

## SECTION 2

# Managing compliance risk is a growing concern



**53%**

of companies report that they are **more risk averse today than they were five years ago.**



**~3/4**

of companies focus compliance investments on critical areas, **balancing protection with practical constraints.**



**51%**

of companies with over \$5 billion in revenue are **fully confident they could withstand a detailed audit** of both their government programs and commercial provider contracts.

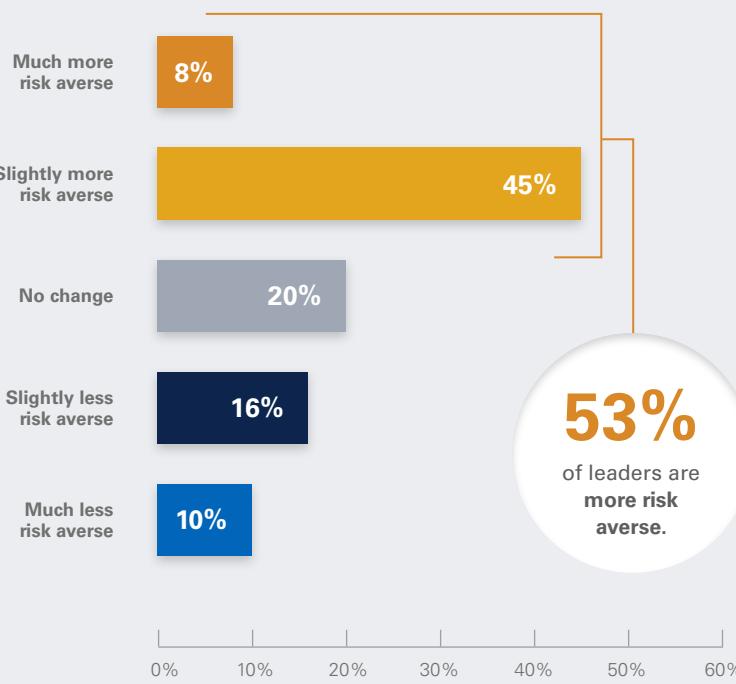
# Managing compliance risk is a growing concern

## Companies are becoming more risk averse

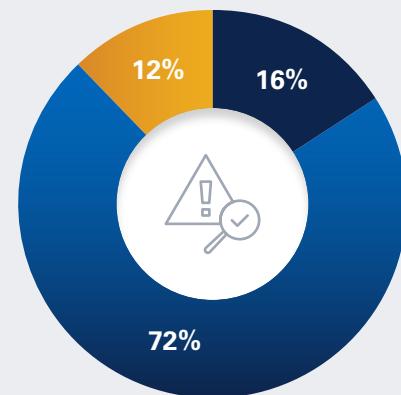
Based on past Model N State of Revenue Reports, ensuring compliance is always on the minds of leaders in life sciences. However, changes in the regulatory environment over the last five years have made leaders more concerned about the impacts that non-compliance can have on their organizations. More than half (53%) of leaders report their company has become more risk averse. Nearly two-thirds (61%) of C-level executives report being more risk averse today, notably higher than vice presidents (46%) and directors (52%).

For 72% of companies, managing regulatory compliance risk involves investing in critical areas that strike a balance between protection and practical constraints. The prevalence of ultrasafe attitudes toward risk is higher in global companies (25%) than in those that only operate in the U.S. (10%), which could be indicative of the difficulties of managing global regulatory risk, reconciling different regulatory approaches, and responding to contradictory dynamics.

### Change in the company's attitude toward managing regulatory compliance over the last five years



### Current culture and attitude toward managing regulatory compliance risk



- Ultrasafe – We invest heavily to make sure that we are not exposing ourselves to any known risk
- Targeted – We focus our compliance investments on critical areas, balancing protection with practical constraints
- Reactive – We only take actions necessary to avoid public or regulatory scrutiny

When examining the attitude and culture of job functions, 25% of operations leaders adopt an ultra-safe approach, investing heavily to ensure their organization is not exposed to any known risk. On the other hand, nearly a quarter (23%) of IT leaders adopt a reactive approach, taking only the necessary actions to avoid public or regulatory scrutiny.

## Automating compliance reporting is standard, at least at some level

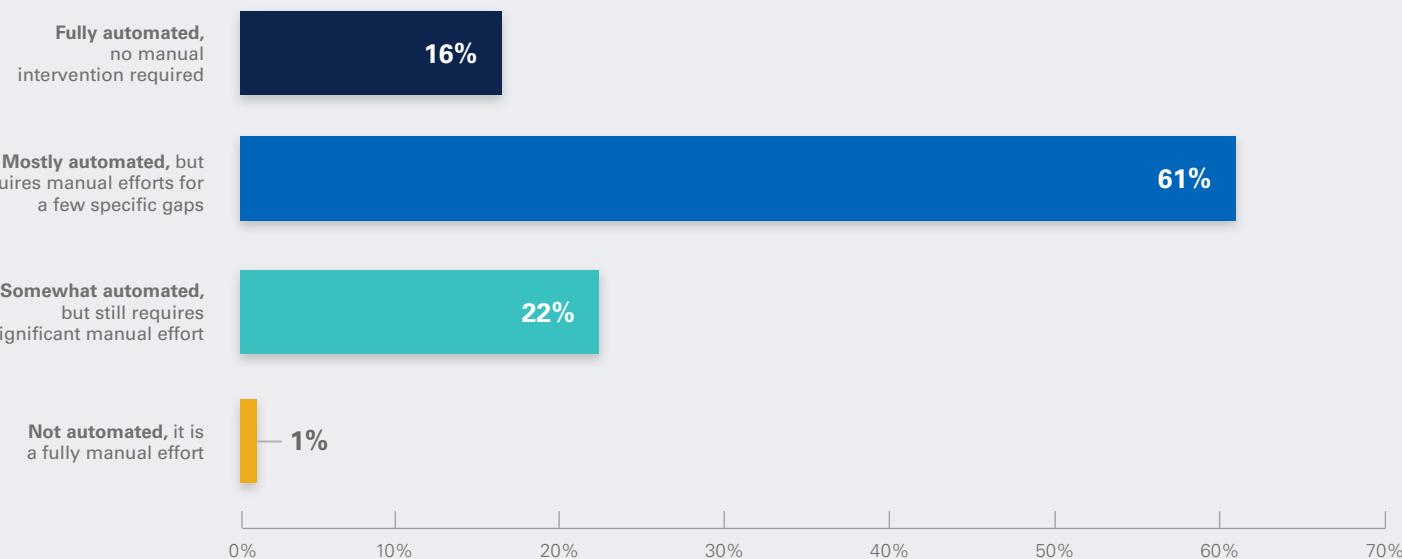
Nearly all companies (99%) have automated compliance reporting with government programs, and 96% have automated contract compliance with commercial providers; however, the degree to which they rely on automation varies.

For government programs, including pricing and claim submission for Medicare, Medicaid, and TRICARE, nearly two-thirds (61%) of leaders report that their company has mostly automated its reporting efforts; however, manual methods are still used to fill a few specific gaps. Global firms are twice as likely to rely on manual processes as companies that operate only in the U.S.; 34% of global firms' government compliance reporting efforts require significant manual effort or are fully manual, compared to 17% of U.S.-only companies.

**2x**

Global firms are twice as likely to rely on manual processes for compliance reporting with government programs than U.S.-only firms.

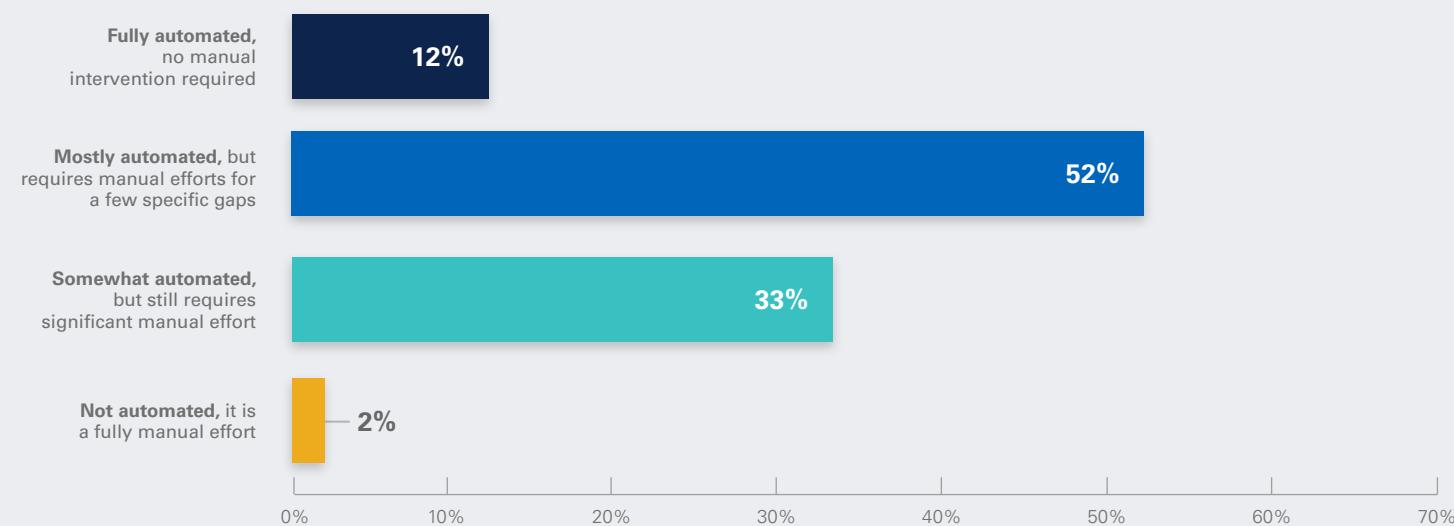
### Capabilities for reporting on compliance with government programs



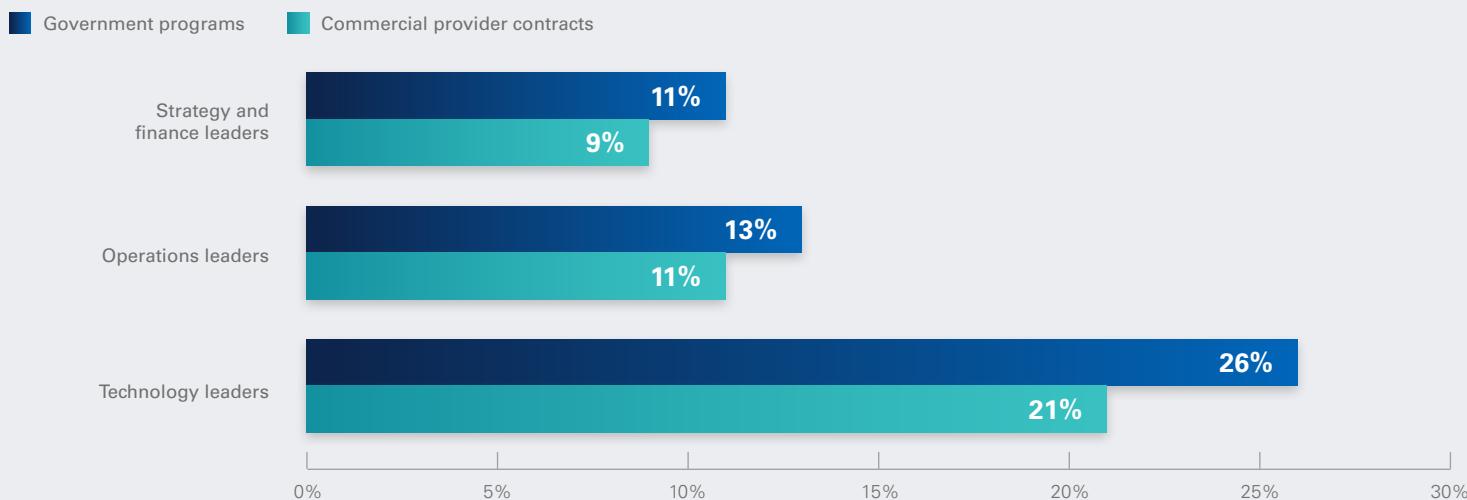
The use of automation for compliance reporting with **commercial provider** contracts, including contracts and discount terms, lags behind government reporting. Half of life sciences leaders (52%) indicate that their company has mostly automated compliance with contract terms on commercial contracts. Organizations with more than \$5 billion in revenue are more than twice as likely (17%) to say that efforts are fully automated than their smaller counterparts (8%).

In both cases, technology leaders are twice as likely to say reporting capabilities are fully automated as their peers in operations and finance. This finding is not entirely unexpected, considering that technology leaders are often responsible for implementing automated solutions and may not have complete visibility into how other departments utilize these solutions on a day-to-day basis.

### **Capabilities for contract compliance with commercial providers**



### **Reporting capabilities are fully automated and do not require manual intervention**



## Leaders are confident their company could withstand a detailed audit

At any time, life sciences companies must be prepared for the possibility of an external audit. Research findings indicate that business leaders are typically confident that their current solutions and processes for reporting on compliance with government programs and commercial provider contracts are audit-ready.

Larger companies are more confident in their reporting capabilities than their smaller counterparts. Fifty-one percent of companies with more than \$5 billion in annual revenue are fully confident in their ability to withstand an audit for compliance with government programs and commercial provider contracts. On the other hand, about one-third of smaller firms (\$250 million to \$5 billion in annual revenue) fully believe they are ready for a government program audit (37%) or a commercial contract audit (33%).



**94%**

of leaders are fairly or fully confident that **government reporting could withstand an audit**



**90%**

of leaders are fairly or fully confident that **commercial provider reporting could withstand an audit**

### Model N's view on the results

-  **Preparing for the inevitable audit requires technical capabilities and process improvements.** On the technical side, connect IT and the business to gain a single view of the truth. Closing this gap provides greater visibility and control over compliance.
-  **Identify “soft areas” that may be flagged during an audit.** For example, on the commercial side, the technology used to calculate complicated rebates may be doing so incorrectly. On the government side, the standard operating procedure or reasonable assumptions used for Medicaid pricing may be outdated, lacking legal approval, or not culturally adhered to. To resolve issues, they must first be identified, and that requires taking an honest and open look at internal processes.

## SECTION 3

# Technological innovation will dramatically impact GTN



**64%**

of business leaders believe **data analytics** offer the greatest opportunity for improving revenue operations.



**97%**

of leaders agree they could make better business decisions with access to **just-in-time data and analytics** for revenue management.



**99.5%**

of leaders currently use or plan to use **AI for revenue management** within the next two years.

# Technological innovation will dramatically impact GTN

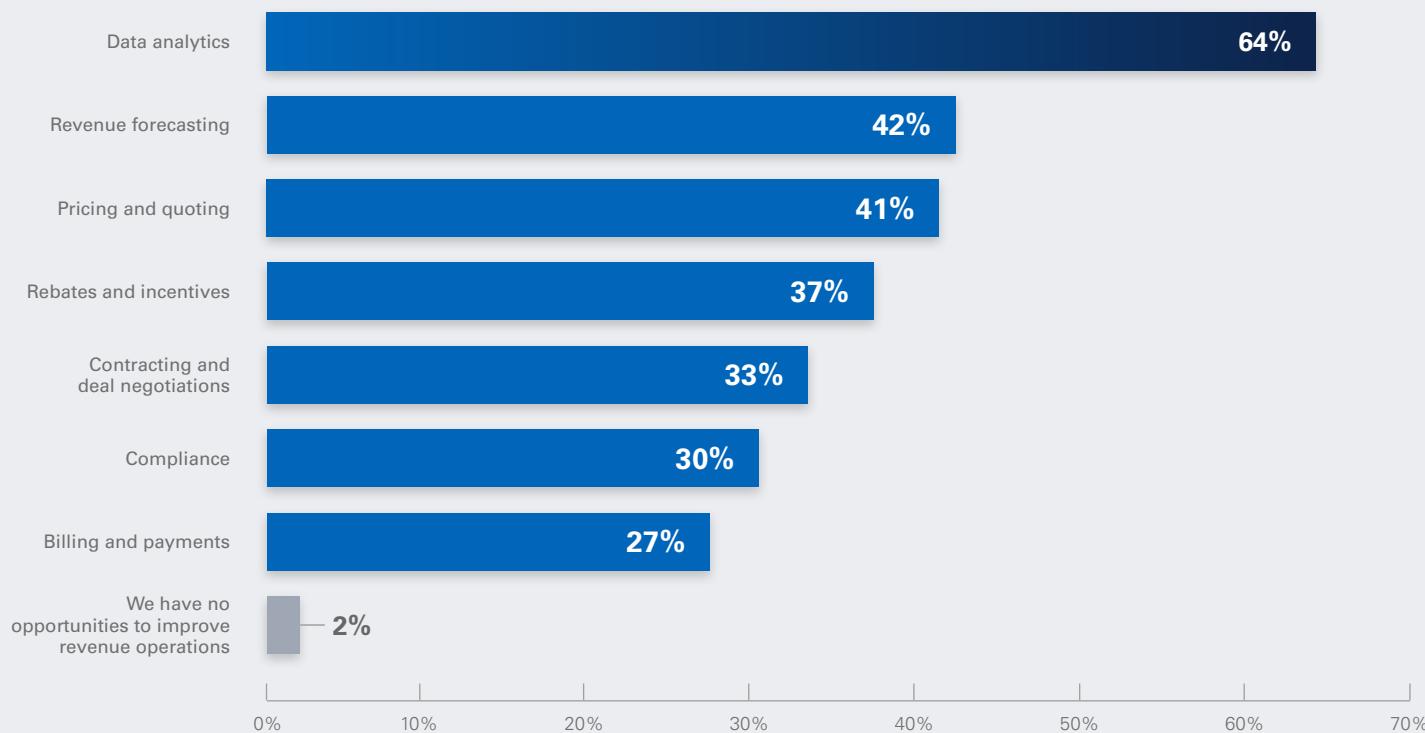
## Opportunities abound to create smarter, more efficient revenue processes

Fostering continuous improvement within their revenue management programs enables life sciences companies to achieve operational excellence, gain competitive advantages, and capitalize on growth opportunities. Nearly all life sciences leaders (98%) believe their revenue operations have room for improvement. One area — data analytics — emerged as the number-one opportunity for improvement, across life sciences companies as a whole and within the individual sectors.

**64%**

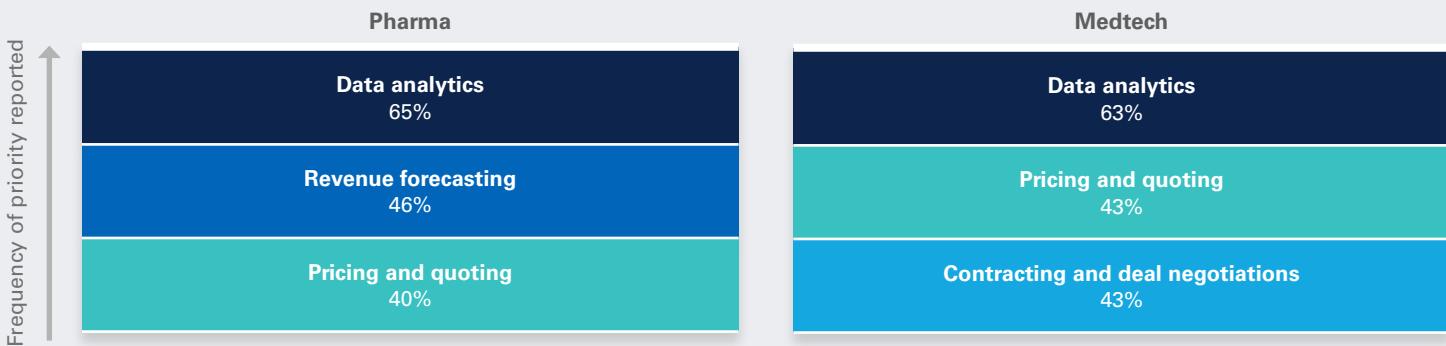
of life sciences leaders agree **data analytics** hold the greatest opportunity for improvement for revenue optimization.

### Areas within revenue operations with the greatest opportunity for improvement

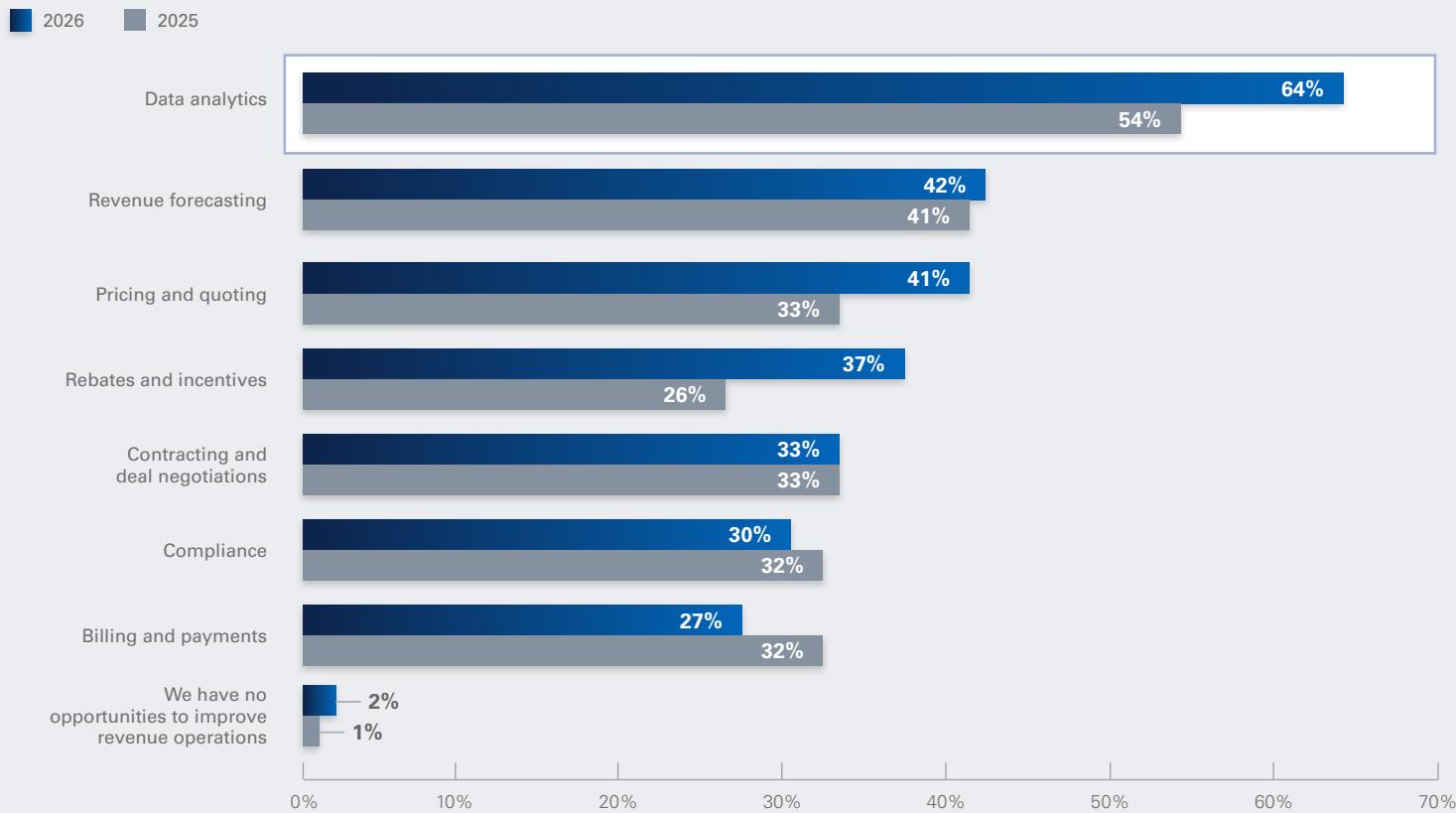


Data analytics was also the top area for improvement in the 2025 State of Revenue Report. This year, the number of leaders naming data analytics grew by 10 percentage points, indicating that leadership sees more potential for using internal and external data to support revenue-related decision-making. Additionally, leaders are also seeing increased opportunities in more focused areas of revenue management, specifically pricing and quoting and rebates and incentives.

### ***Top three areas for improvement by sector***



### ***Areas within revenue operations with the greatest opportunity for improvement year over year***



## Use of multiple revenue management solutions is growing

This year's report saw a 47% decline in the number of companies relying on just one solution for revenue management. There were also double-digit increases in the use of manual solutions and purpose-built commercial software. These changes appear to indicate that companies are returning to the solutions they know work, especially in the wake of the increasing complexity and volatility facing the life sciences industry.

In 2025, 63% of life sciences companies with more than 10,000 employees reported using one solution. This holds true again this year: 56% of these large-scale enterprises rely on a single solution, compared to just 18% of companies that have fewer than 10,000 employees.

While use of manual processes like spreadsheets and email grew this year, purpose-built commercial software and custom or in-house applications remain the most used solutions — proof that these latter tools are the most effective and efficient means of addressing the nuances of life sciences revenue.

**43%**

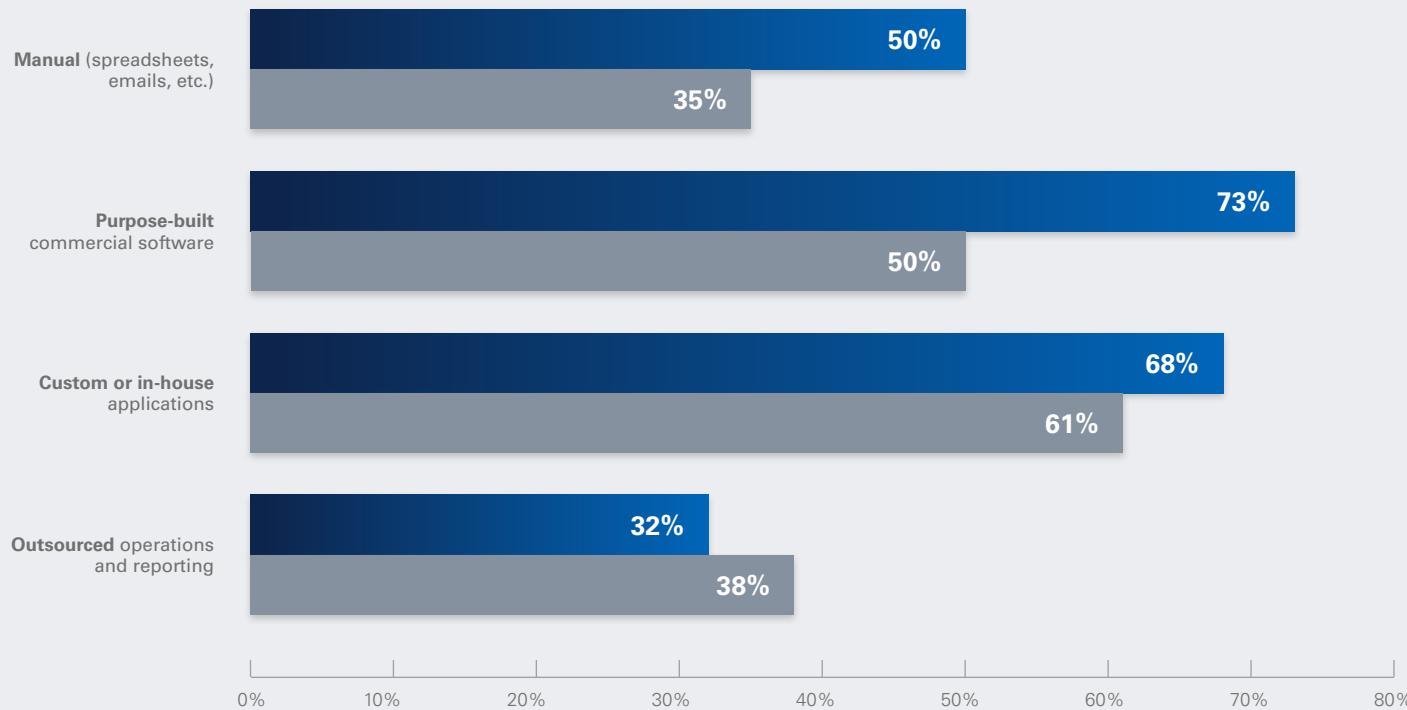
The use of **manual solutions** (spreadsheets, emails, etc.) increased 43% from 2025 to 2026.

**46%**

The use of **purpose-built commercial software** grew 46% from 2025 to 2026.

### ***Types of solutions used for revenue management, year over year***

■ 2026 ■ 2025



## AI continues to make inroads in revenue management

GenAI exploded in popularity in late 2022. Since then, businesses have embraced it with open arms. According to McKinsey & Company's "[State of AI in 2025](#)," 88% of respondents said their organizations were regularly using artificial intelligence. Findings from the Model N 2026 State of Revenue survey confirm that revenue management leaders are also incorporating AI in their processes.

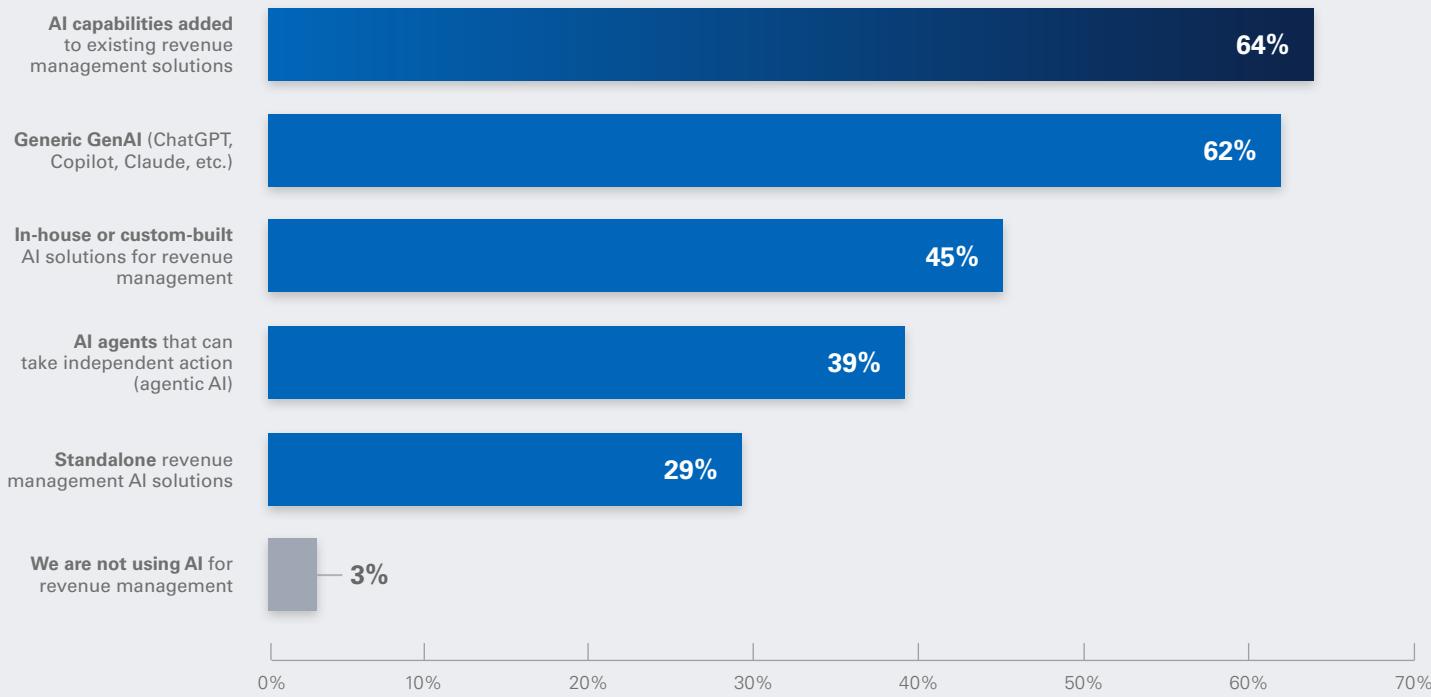
The AI solutions most widely used for revenue management today include generic GenAI (62%) and AI capabilities available in existing revenue management solutions (64%). Slightly more than one-third of companies (39%) are already employing agentic AI, autonomous solutions that can execute complex tasks with minimal human interaction.



# 99.5%

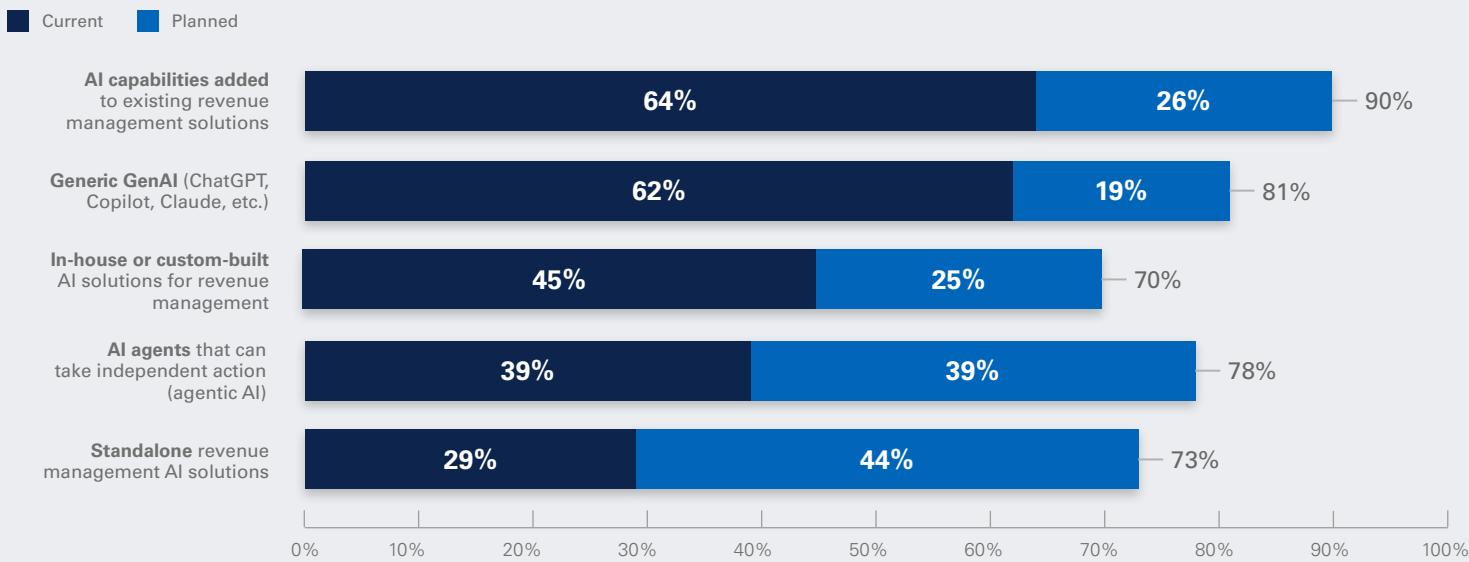
Currently, 97% of life sciences leaders **use AI for revenue management**, with adoption expected to grow to 99.5% in just two years.

### *Types of AI solutions currently used for revenue management*



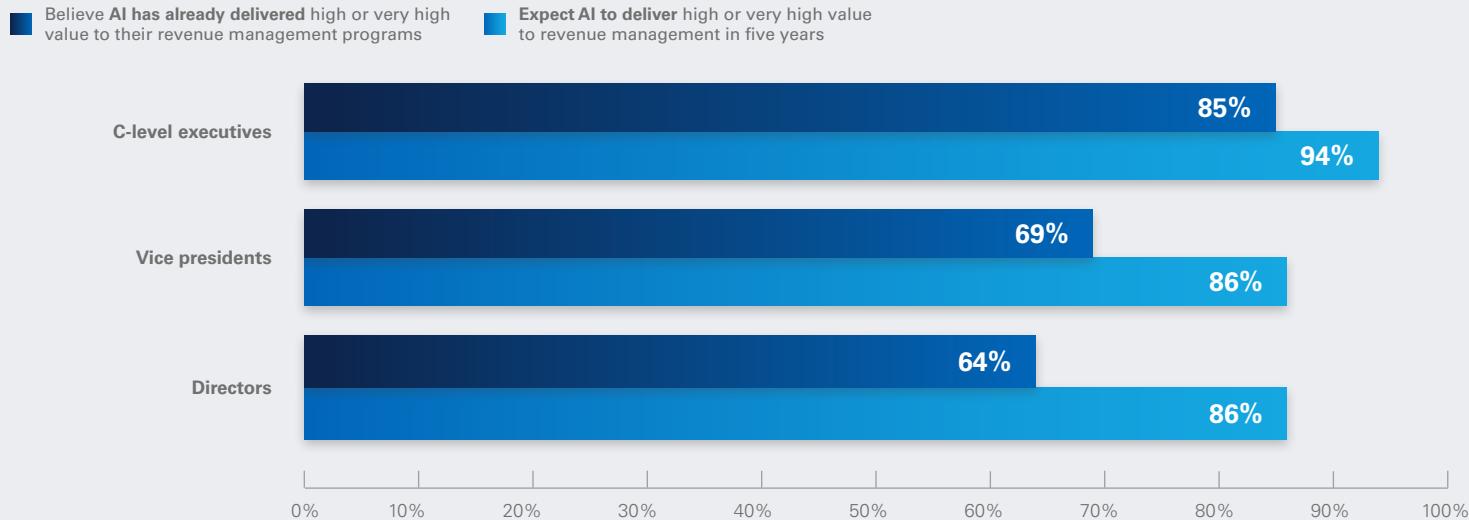
Only 7% of leaders do not have specific plans to add any new types of AI solutions to their revenue management tech stack in the next two years. Standalone revenue management solutions (44%) and agentic AI (39%) are expected to lead adoption. However, by 2028, 9 out of 10 leaders report that they will be leveraging AI capabilities in existing revenue management solutions.

### **Current and planned use of AI solutions for revenue management**



### **The value of AI is expected to grow**

Nine in 10 leaders agree that AI is already delivering value to their revenue management programs, and 98% expect that AI investments will provide a positive impact within 5 years. C-level executives are much more bullish on AI's impact than vice presidents and directors.



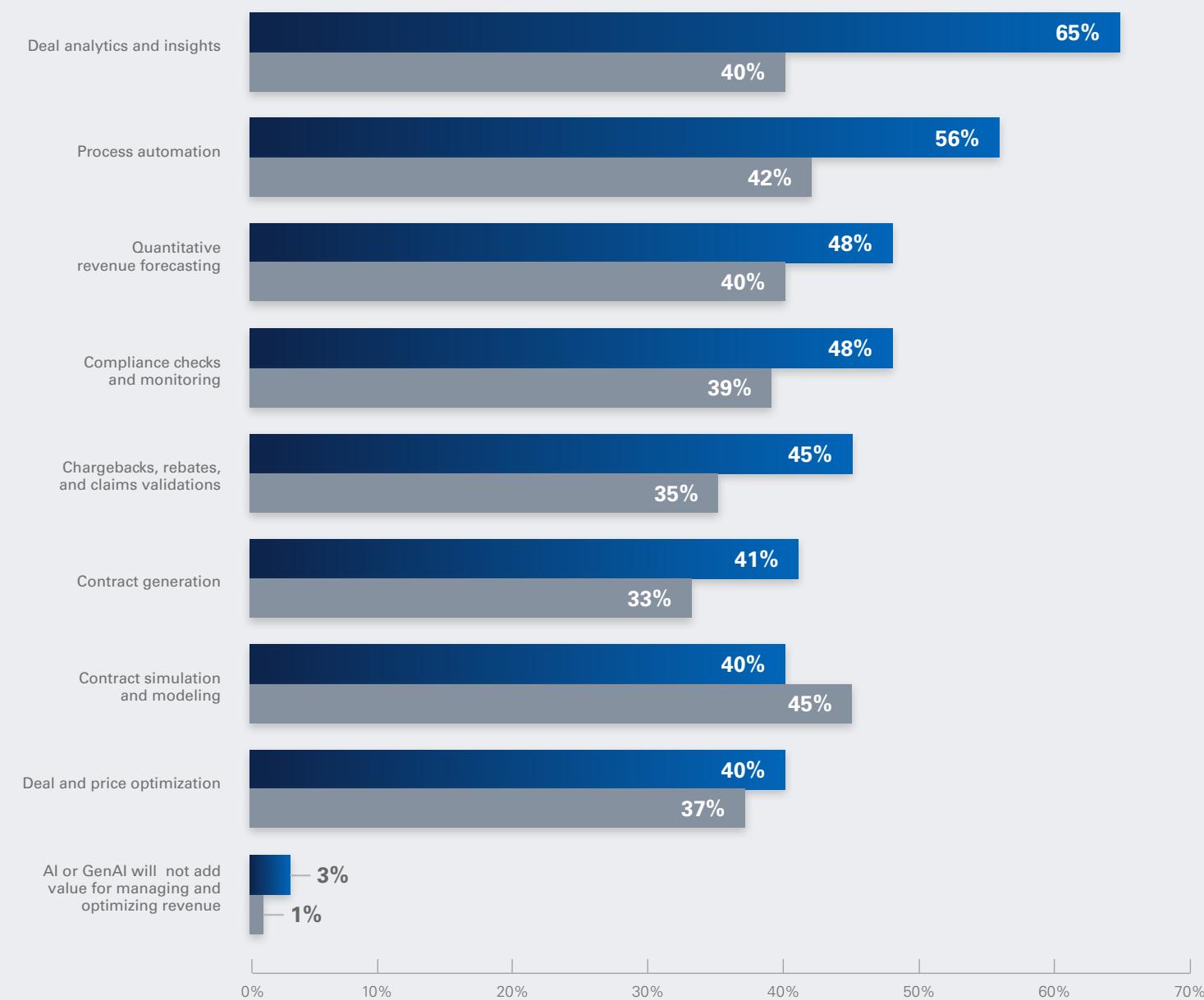
Regardless of their job function, life sciences leaders see increasing potential for using AI in almost all areas of revenue management. Process automation and deal analytics and insights hold the most promise for all respondents, resulting in double-digit percentage increases in just one year.

**63%**

more life sciences leaders believe **deal analytics and insights** could add value to revenue management and optimization than they did in 2025.

***Operational areas where AI could add value to revenue management and optimization (2025 versus 2026)***

■ 2026 ■ 2025



## Access to GTN data is lacking

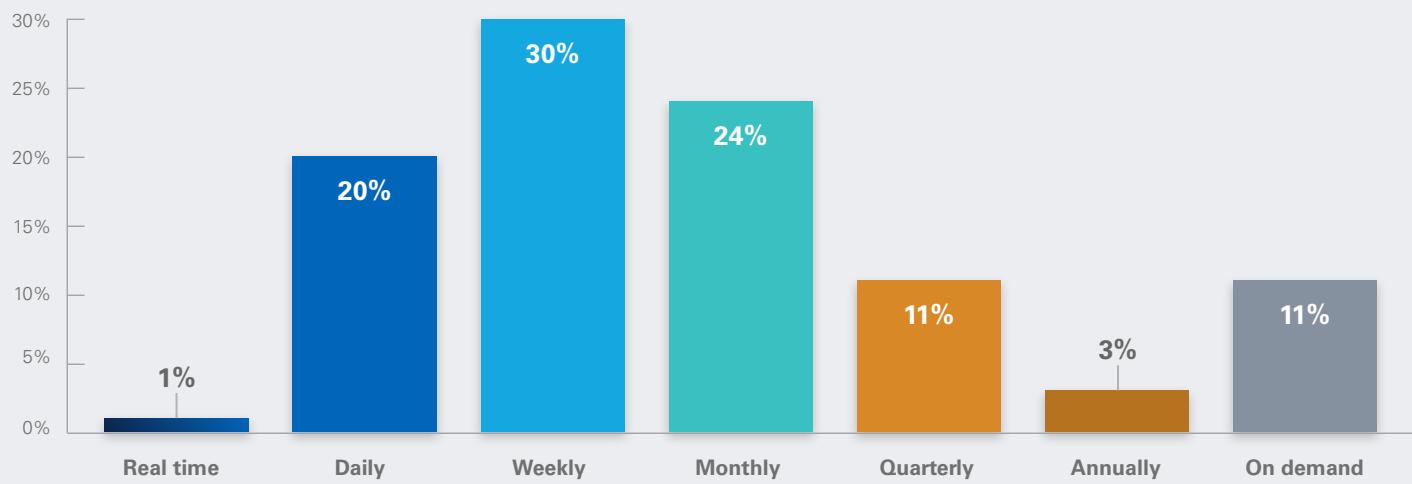
Life sciences leaders almost unanimously agree that they could make better decisions if they had all the relevant data and insights at their fingertips, right when needed. So, what's preventing them from accessing this just-in-time data and analytics? Fewer than 30% of companies have fully integrated their sales, rebate, and other GTN data across channels and revenue management strategies. Eleven percent report that their data is entirely siloed and requires manual reconciliation.

Adding to the difficulties of achieving just-in-time data and analytics is the lack of consistency in data timeliness. Only 1% of leaders report having real-time visibility into data on Medicaid and Medicare rebates, 340B discounts, distribution fees, and managed care utilization rebates. Weekly and monthly access is more common, which means leadership must deal with a time lag when making decisions.

## Only 1%

of life sciences leaders report having **real-time visibility** into revenue management data.

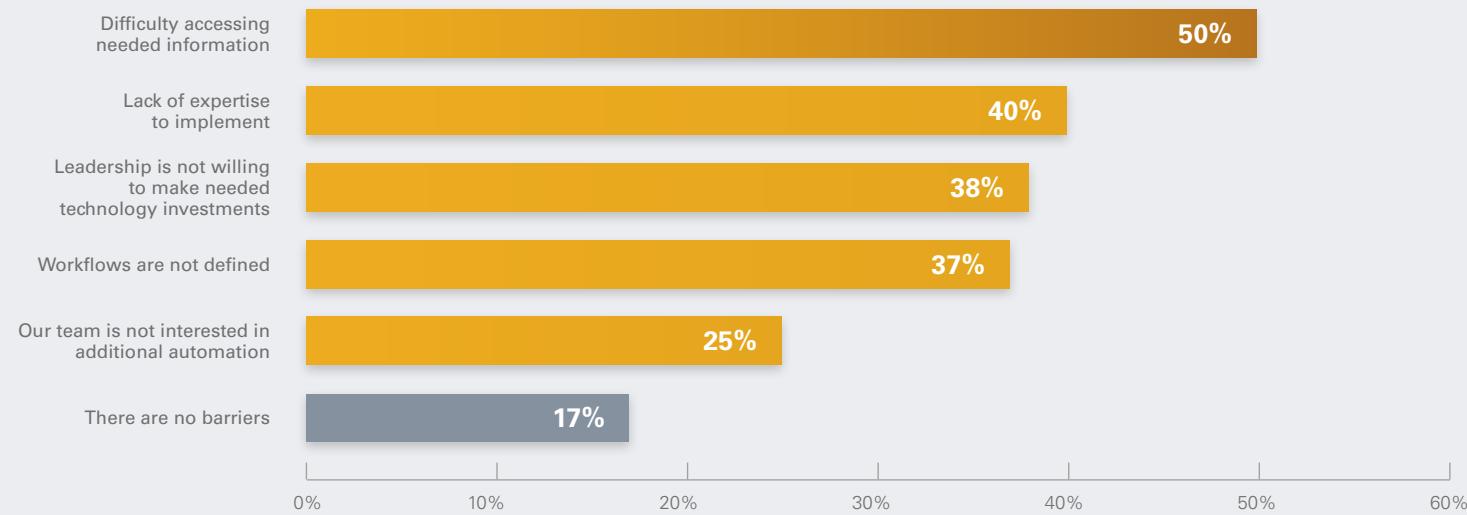
### *Timeliness of visibility into revenue management data*



97% of leaders agree they could make better revenue management decisions if they had access to **just-in-time data and analytics**.

The majority of companies face difficulties automating workflows and reporting for revenue management. Eighty-three percent of leaders report facing at least one internal or external challenge. Half of leaders struggle to access the information they need. Four out of 10 believe their company lacks the expertise to implement automation.

### **Barriers to automating workflows and reporting**



## **Model N's view on the results**



While companies have been focused on data and analytics for years, efforts are unsettled and incomplete. As revenue management becomes more complex, regulations shift, and technological capabilities expand, **the importance and potential of data and analytics are escalating**. It is expected that more can be done better.



Business leaders report that they are already implementing **AI technology** and plan to increase its use. Clearly, they have high hopes, but they will be stymied by the lack of data interoperability and output quality that is only as good as the input provided.

### **Success will require:**

- A holistic understanding of what it takes to harness the full power of AI, including an integrated data foundation and people with the right skill sets
- Defining and measuring the gains expected
- Nominating a top-level champion who will guide execution efforts with vendors and in-house teams

# Looking ahead: What this year's report means for you

This year's State of Revenue Report reveals that the life sciences industry is at a pivotal moment. Regulatory volatility, the expanding influence of pharmacy benefit managers, and the ever-accelerating pace of technological innovation have created unprecedented complexity. However, all is not lost; opportunities abound to optimize revenue, ensure compliance, and drive sustainable growth. The revenue leaders who embrace data integration, automation, and AI will be best positioned for success in 2026 and beyond.



**Break down silos and treat data as a strategic asset across all functions.** Nearly all leaders (97%) agree that just-in-time data is essential for better decision-making. Yet, siloed systems and manual processes remain. Mapping GTN processes from end to end helps identify areas where leakage occurs. From there, investments in automation and analytics should be prioritized to increase transparency and control.

To unlock actionable insights and increase operational agility, companies must unify their data across pricing, rebates, contracts, and compliance with a single source of truth. The Model N platform provides complete visibility across the commercialization lifecycle, ensuring regulatory alignment with every contract, price, and rebate. Model N customers can ensure compliance at every stage, accelerate decision-making, reduce risk, and uncover opportunities to optimize revenue.



**Invest in AI thoughtfully.** Automation is now standard for compliance reporting, and nearly every company is using or planning to use AI for revenue management. The leaders who define clear use cases and establish processes to ensure high-quality data integration will realize the greatest ROI. Companies should appoint a top-level champion to drive execution and measure outcomes. Model N has recently introduced customer value dashboards, which enable customers to track and measure the value of their investment.



**Build frameworks to rapidly respond to regulatory changes.** An overwhelming majority (84%) of leaders struggle with regulatory ambiguity. To effectively respond to policy changes, companies should build flexible frameworks and invest in digital tools that enable rapid scenario planning and compliance monitoring.

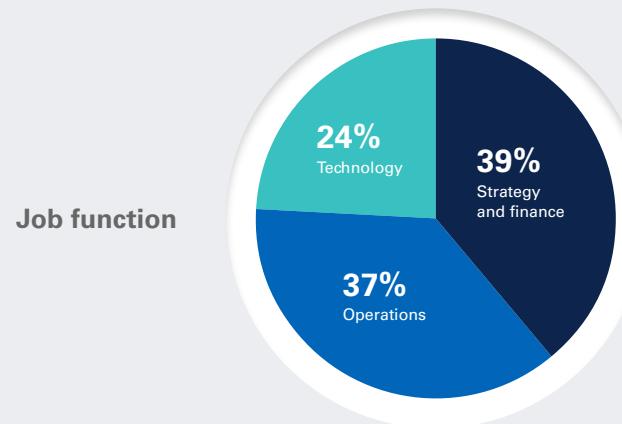
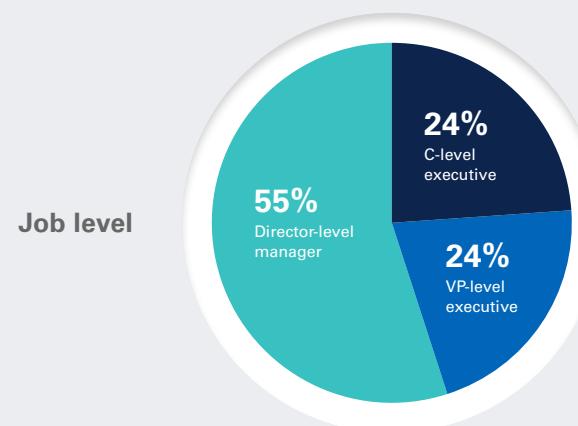
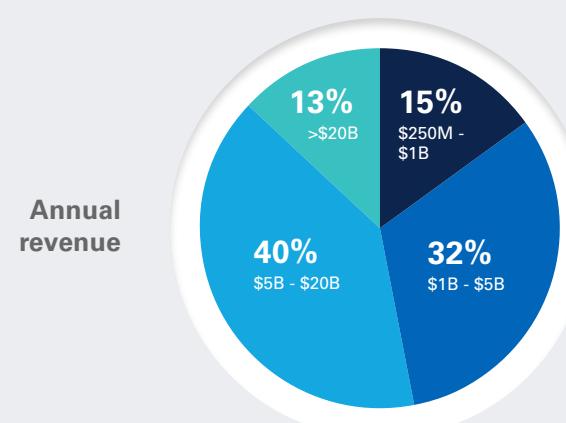
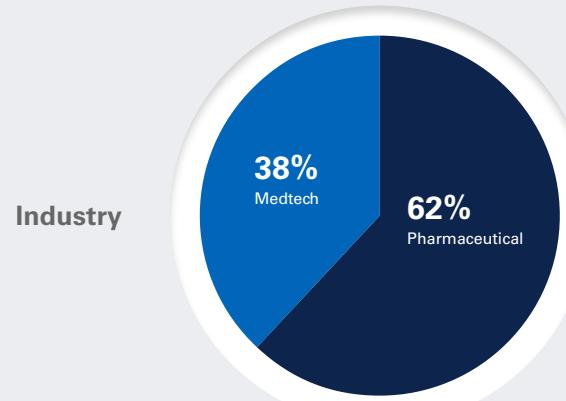


**Automate wherever possible, but continually identify and address gaps.** The divide between list and net prices is widening, with multiple factors contributing to revenue leakage. Leaders must focus on identifying and reducing revenue leakage, expanding market access, and streamlining operational processes. Automating validation processes increases accuracy, enabling companies to optimize revenue by reducing overpayments. For example, companies that use Model N Payer Management plus Validata have been able to successfully dispute as much as 20% of requested rebate dollars.

**To thrive in 2026, companies will need to break down silos, harness integrated data, and operationalize advanced technologies across the GTN lifecycle.** By investing in automation and treating data as a strategic asset, leaders can empower their cross-functional teams to act on real-time insights and improve profitability. Model N remains committed to providing the technology, expertise, and insights that empower life sciences leaders to optimize revenue, ensure compliance, and achieve their growth ambitions.

# Survey methodology and participant demographics

Dimensional Research conducted an online survey with independent sources of business leaders who work in strategy and finance, operations, and technology within the pharmaceutical and medtech industries. A total of 429 qualified individuals from the U.S. completed the survey. All participants have direct responsibility for revenue management in a director-level or higher leadership role at a company with annual revenue exceeding \$250 million. Questions were asked on a range of topics, including trends in revenue management, compliance, and technology. Percentages in this report may not add to exactly 100% due to rounding or where multiple responses are allowed.



## About Model N

For more than 25 years, Model N has been the leader in end-to-end commercialization, revenue optimization, and compliance for pharmaceutical, medtech, and high-tech innovators. With a focus on innovation and customer success, Model N helps manufacturers streamline their revenue operations and remain compliant, empowering them to deliver life-changing products to the world. Our intelligent platform, purpose-built solutions, and advanced analytics and AI automation are trusted by more than 150 of the world's leading companies across more than 120 countries.

For more information, visit [www.modeln.com](http://www.modeln.com).

## About Dimensional Research

Dimensional Research® provides actionable market research for innovative companies. We partner with our clients to deliver actionable information that reduces risks, increases customer satisfaction, and grows the business. Our researchers are experts in the decision-making structure, business models, processes, and technology used by modern businesses and their customers.

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