



The power of flexible, hybrid operating models in revenue management

Model **N**

WHITE PAPER

Leaders in the life sciences industry understand better than most that change often has an active ingredient, whether down at the molecular level or across global markets. Be it through evolution or innovation, lasting success comes from adaptation. An organization's ability to respond to change is increasingly the dividing line between who will thrive — and who may not be here in five years.

Policy shifts such as the Inflation Reduction Act, combined with increased government scrutiny and broader market pressures, are forcing life sciences companies to revisit legacy processes and challenge “how things have always been done.” With production and delivery costs rising and margins tightening, disciplined revenue management has never mattered more.

For too long, organizations have treated revenue management as an all-or-nothing decision — either building and managing everything internally or outsourcing the entire function to an external partner. But the real differentiator is not the model itself; it is the partner behind it. With the wrong partner, any approach can limit flexibility and invite risk, leaving companies reliant on subpar services or rigid, obsolete technology that traps them in systems and processes that cannot evolve.

On the other hand, with the right partner, organizations gain deep expertise, a flexible operating framework, and the option to leverage a hybrid model that balances internal controls with scalable external support. This optionality to choose the mix of insourced, outsourced, and co-sourced services empowers life sciences organizations to address their needs today and continually evolve their operations as circumstances shift and their organizations mature.

There's no one-size-fits-all for revenue management — fully insourced, fully outsourced, and hybrid (also known as co-sourced) models all have merit. World-class revenue management and compliance platforms provide seamless flexibility to switch between models without disruption. This white paper examines how leading companies are structuring revenue management models that adapt as expertise, scale, and risk profiles change, strengthening resilience, supporting compliance, and driving sustainable performance.

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What's a hybrid approach?

Revenue management is a team sport. Over time, an organization's roster, priorities, and resources may grow or contract, but the work still needs to be completed accurately, consistently, and on time.

A flexible mindset accommodates this reality by blending in-house ownership's strengths with outsourced execution's scalability. In practice, it's a strategic mix of internal leadership and external services — enabling organizations to retain control over critical decisions while seamlessly scaling operational support as needs evolve. Because the entire process runs within a single unified system, companies fully sidestep costly multi-year reimplementations or risky data migrations.

By outsourcing specific revenue management processes, particularly high-volume, rules-driven tasks, organizations can relieve overburdened teams of day-to-day execution and refocus internal talent on the work that drives the greatest business impact.

This model has become increasingly relevant as access to talent has tightened across the industry. The changing labor market has intensified competition for specialized revenue management expertise, making it harder to staff and sustain day-to-day operations. As a result, cost pressures and talent shortages have become closely intertwined challenges.

Beyond workload relief, a hybrid operating model directly addresses skills and knowledge gaps. Many revenue management processes, such as chargebacks, rebates, government pricing, and gross-to-net forecasting, contain nuanced requirements that demand specialized expertise. When institutional knowledge resides with only a few individuals, organizations expose themselves to operational risk and bottlenecks. A hybrid model augments internal capabilities with external specialists who bring deep functional experience, process discipline, exposure to industry best practices, and an industry-leading technology platform that leverages the latest agentic AI capabilities for greater accuracy and efficiency.

92%

Model N research found that 92% of pharmaceutical companies report significant issues related to resourcing, staffing, and expertise in revenue management and related commercial functions.

This approach strengthens day-to-day execution. By building optionality into the organization, leaders can think strategically and act tactically, shifting from reactive, task-based problem-solving (“How can we get this done?”) to deliberate, forward-looking decision-making (“How should we design this to scale, sustain compliance, and improve over time?”). In this context, taking advantage of outside expertise isn’t “letting go of the reins;” it reinforces resilience. As one executive noted, “Outsourcing wasn’t about giving up control. It was about reducing single points of failure.”

Hybrid: The new normal

Sophisticated life sciences companies recognize that revenue management isn’t a binary choice — fully insourced, fully outsourced, and hybrid models all deliver value based on organizational needs. Many are now embracing pragmatic blends of strategic ownership and scalable execution, pairing internal oversight with external support to manage complexity while focusing on growth.

This evolution is underway: Blended operating structures are becoming a standard option alongside pure insourcing and outsourcing.

From fixed to flexible: Rethinking revenue operations

Hybrid models are an intentional operating choice. The question is no longer simply, “Should we outsource?” Instead, leading organizations are asking, “What should we outsource?” and “How do we do it right?” This approach involves deliberately deciding which revenue management processes should remain in-house and which are better supported by external expertise.

The first step is understanding where the organization stands today. Mapping current processes, data flows, and tools is a crucial starting point for any revenue management transformation. Without a clear baseline, it becomes difficult to measure improvement, identify root causes, or sustain progress over time. For most organizations, the journey and investment can, and often should, be spread across multiple years. Implementation roadmaps are most effective when they prioritize the areas with the highest potential for improvement first, while building toward a scalable, mature operating model over time.

Co-sourcing, blending the best of internal control with external specialists, enables organizations to balance control, expertise, and risk. A successful co-sourcing model is built on partnership. With clear joint governance, shared performance measures, and transparent communication, organizations can build trust and align on long-term goals. External partners can also help companies access modern technologies at predictable costs while reducing dependency on legacy systems. In many cases, ongoing upgrades and process improvements are embedded into the model, reducing the burden on internal teams and ensuring the revenue management function continues to evolve as the business grows.

Implementing a hybrid revenue management model

Organizations typically adopt a hybrid operating model when they need to balance speed, cost, expertise, and long-term flexibility. The timing often aligns with inflection points: product launches, rapid revenue growth, geographic expansion, system transformations, or increasing compliance complexity.

Different organizational stages create different pressures:

- Emerging companies often need support with commercialization readiness and compliance without building a fully scaled internal infrastructure too early.
- Midsized organizations may find that growth has outpaced internal processes, systems, or staffing capacity.
- Established enterprises frequently turn to hybrid models during modernization efforts, M&A activity, system consolidation, or when seeking to elevate functional maturity.

Proactive leaders consider hybrid models before problems escalate. Rather than reacting to delays or talent gaps, they anticipate how needs will evolve over time and design a model that can scale accordingly.

Hiring and building specialized revenue management capabilities internally can take years and require significant upfront investment. During that time, operational and financial risk continue to accumulate. A hybrid model allows organizations to address capability gaps immediately while building for the future.

Short-term support or long-term strategy

A hybrid model is not necessarily a temporary fix; it is a scalable platform that preserves optionality as circumstances change.

Organizations may use hybrid structures to:

- Maintain internal ownership of governance and strategy while outsourcing high-volume operational tasks.
- Ensure there is a single point of truth among different departments and stakeholders.
- Add new functionality to address evolving regulatory and compliance requirements.
- Take a phased approach to building internal teams over time.

Because the model is flexible, companies can scale external support up or down without costly disruptions. Some organizations may transition the work in-house; others might maintain a steady-state co-sourcing structure to preserve resilience.

Balancing risk, control, and cost

The decision to adopt a hybrid model often depends on three primary factors:



1. Risk tolerance and control

How much operational and compliance risk is the organization willing to carry internally? Hybrid models allow companies to retain strategic ownership and governance while leveraging experienced external partners for execution.



2. Cost structure and capital allocation

Building an in-house revenue management infrastructure can require substantial upfront investment in technology, staffing, and process design. For example, a hybrid model might require an initial investment of approximately \$500K, while implementing a fully insourced solution from scratch could cost \$5M or more and take several years to complete. Hybrid models shift portions of this investment into a more predictable operating cost structure.



3. Speed to capability

When speed matters, such as during product launches, market expansion, or regulatory change, waiting 12 to 24 months to recruit, onboard, and stabilize a new team may not be viable. Hybrid models provide immediate access to operational support and specialized expertise, while long-term capabilities are developed deliberately.

When does a hybrid model make sense?

A hybrid operating model can create value across the organizational lifecycle, from emerging companies preparing for launch to established enterprises optimizing mature portfolios. The following scenarios illustrate how organizations at different stages apply hybrid structures to address specific challenges while maintaining strategic control and long-term optionality. Together, they reflect distinct points along the hybrid spectrum, where collaboration and shared accountability drive stronger outcomes.

Scenario 1 — Combined forces

A life sciences company has just completed a major acquisition. The combined portfolio significantly increases transaction volume and complexity across government pricing, Medicaid, and chargebacks, but leadership wants to retain tight strategic control over gross-to-net and pricing decisions. Building a fully scaled internal team to handle every aspect of revenue management immediately would require substantial time and investment.

Hybrid solution:

The organization chooses to keep strategic functions such as government pricing and gross-to-net analysis in-house, investing in a specialized internal team. At the same time, it co-sources more operationally intensive activities, like Medicaid processing and chargebacks, to an external partner. This blended model allows the company to stabilize operations post-M&A, manage higher volumes efficiently, and maintain strategic oversight.

Scenario 2 — Room to grow

A midsized life sciences firm identifies a high-potential expansion opportunity but can't pursue it — day-to-day revenue management tasks have internal teams stuck in the weeds, with process bottlenecks slowing strategic decisions and agility.

Hybrid solution:

The organization co-sources operational execution with an external partner, freeing internal leaders to focus on strategic priorities. The company improves speed and efficiency across the broader organization, enabling growth without overburdening internal teams.

Scenario 3 — Keeping options open

An established firm wants to pursue a newly identified market opportunity but is hesitant to hire a full new team or make large internal investments before confirming the opportunity will become a long-term product category. The organization needs a scalable way to execute reliably without committing to a permanent cost structure too early.

Hybrid solution:

The firm engages an external team to establish processes, operating procedures, and reporting, creating a stable foundation while keeping internal options open. The organization gains access to mature capabilities and advanced technology without needing to manage software upgrades, infrastructure, or ongoing maintenance internally. If the opportunity proves viable, the company can gradually transition capabilities in-house over time without a disruptive reimplementation.

People, process, and technology: The support to scale

Revenue management operating models cannot remain static while the business evolves around them. Portfolio expansion, regulatory change, and shifting payer dynamics require adaptability. A hybrid model enables that evolution without forcing organizations to repeatedly replatform systems or redesign their structures. Rather than making permanent decisions based on current constraints, leaders can build an operating model that endures. As one pharma CFO observed, “We didn’t want to decide today what our operating model would be three years from now.”

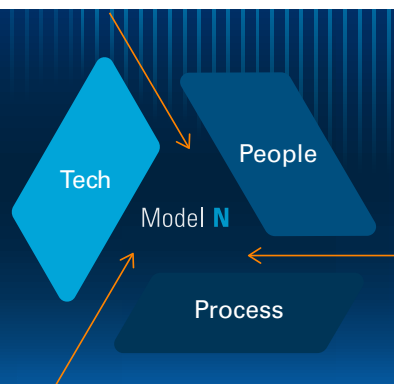
Long-term success depends on aligning people, processes, and technology in a way that supports both stability and growth. The most effective hybrid models offer specialized expertise, continuous process refinement, and actionable data insights, all in one cohesive framework.

Technology plays a central role in a successful co-sourcing model. An integrated, end-to-end revenue management platform creates a single, auditable source of truth across pricing, contracting, chargebacks, rebates, government reporting, and financial reconciliation. When systems are fragmented or overly manual, visibility suffers. By contrast, centralized platforms improve data integrity, streamline stakeholder coordination, and strengthen compliance. Just as importantly, they allow organizations to scale operations without layering on duplicative systems or creating technical debt that will require costly remediation later.

At the same time, scale is not achieved solely through systems. Specialized industry expertise remains essential, particularly as regulatory scrutiny increases and revenue models grow more complex. A hybrid structure provides access to experienced professionals without requiring organizations to build every capability internally. This ensures business continuity during periods of turnover, uncertainty, or rapid growth while supporting long-term strategic ambition.

Revenue Management Services

Blending expert **PEOPLE & PROCESS** with enterprise-grade technology to tackle evolving business challenges.



Model N: Powering the hybrid advantage

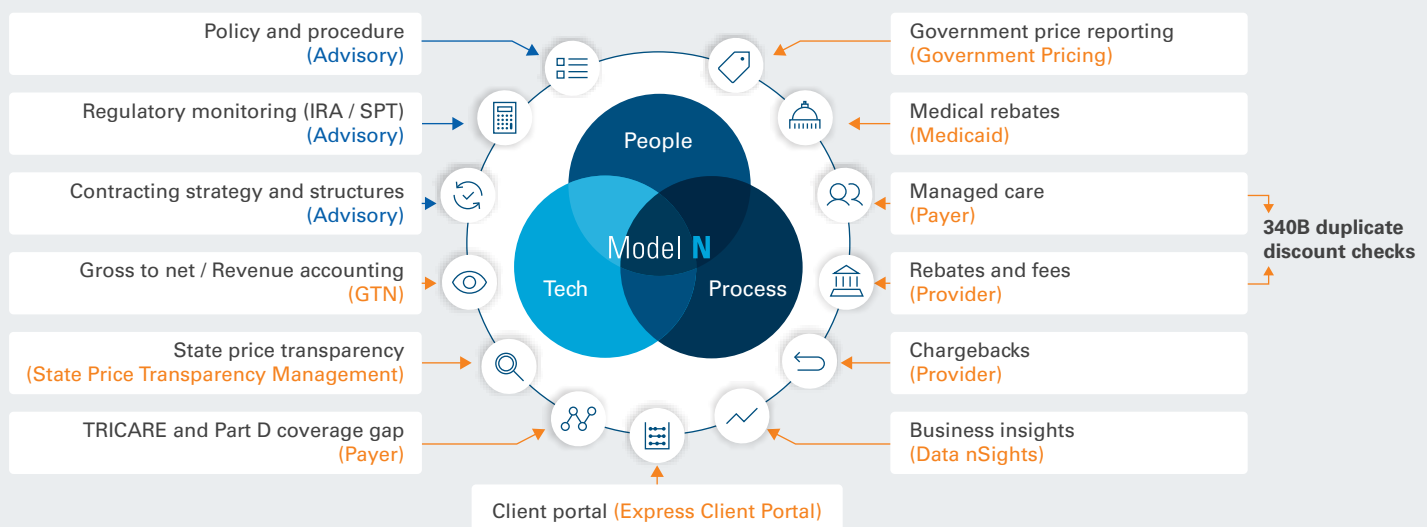
With 20 years of experience building trusted partnerships with more than 150 of the world's leading industry players, Model N's hybrid operating model combines institutional control with seasoned industry expertise and the latest agentic AI capabilities. Our industry experts, backed by our purpose-built revenue management platform and intelligent AI agents, align with an organization's internal teams like perfectly fitting puzzle pieces, enabling them to stay focused on the big picture.

While costs are highly visible on a balance sheet, the cost of missed revenue opportunities, operational inefficiencies, and delayed readiness is far more difficult to measure. Model N helps organizations operate more efficiently, gain greater visibility into how and where revenue is managed, and minimize leakage that might otherwise go undetected. By aligning the right resources at the right time, companies enhance their competitive position and strengthen overall financial performance.

At its core, the primary strategic value of a hybrid model is flexibility. The next generation of overperformers will build flexibility into their infrastructure, capitalizing on the benefits of outsourcing, co-sourcing, or insourcing functions as conditions evolve, without being forced into large, disruptive reinvestments. Whether portfolios grow, regulations change, or momentum builds, the operating model evolves in step. With Model N, organizations gain the specialized expertise and software they need, minus the expense of maintaining it 100% in-house.

Model N Revenue Management Services Solution Suite

Combining the most experienced functional experts (people and process) with the gold-standard enterprise technology to meet clients' ever-changing business conditions



The return on investment is multifaceted: avoided large-scale implementation costs, reduced fixed headcount and infrastructure expenses, faster speed to operational readiness, and minimized disruption during periods of change. Significant upfront capital investments become flexible operating expenditures, allowing organizations to scale in alignment with business growth rather than ahead of it.

Ultimately, the hybrid model provides a risk-managed, methodical path to growth. It empowers customers to outsource certain functions while keeping others in-house — all within the same industry-leading system trusted by 20 of the Top 20 pharma companies. Backed by Model N's people, best practices, and purpose-built platforms, organizations can manage both revenue and change with confidence.

Build a more resilient revenue model

Connect with Model N to learn how a hybrid approach, powered by deep industry expertise, optimized processes, and an integrated revenue platform, can reduce risk, increase agility, and unlock long-term value for your organization.

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.