

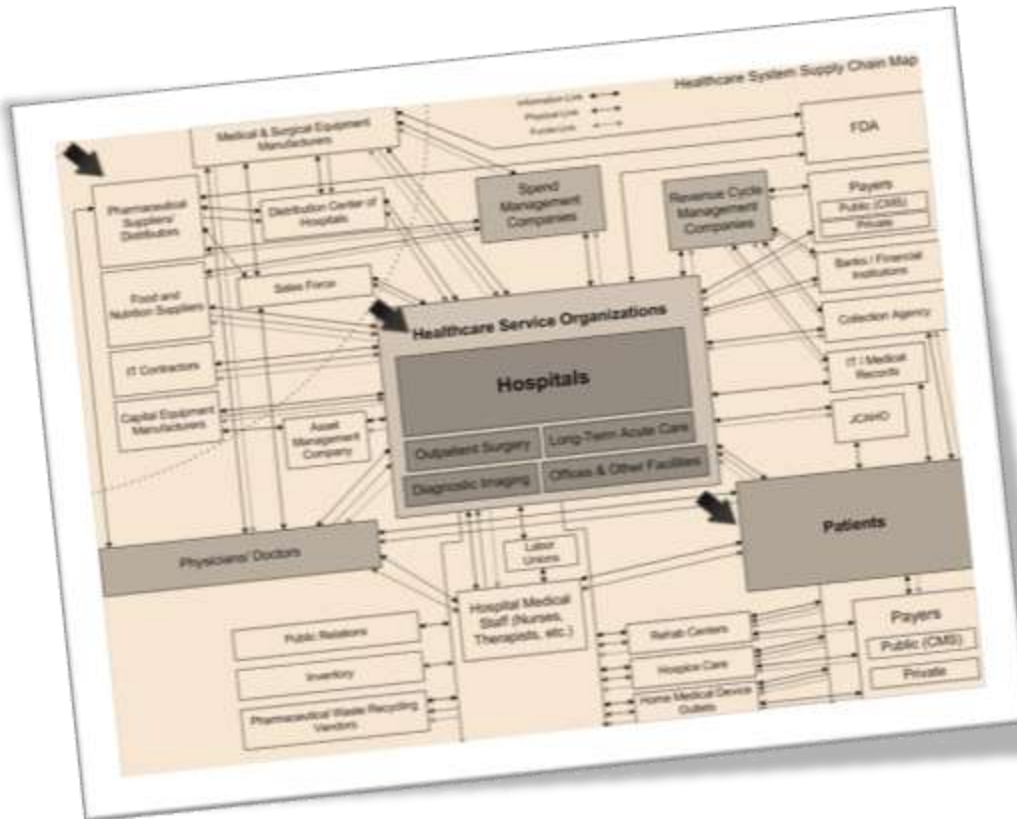


THE TIME IS RIGHT: Pricing, Regulation and Reimbursement Reform as Agents of Change

Gopkiran Rao, *Senior Director of Marketing*
Model N

2011 BSCA Conference
November 6, 2011

The Future has Caught up to the Life Sciences Industry

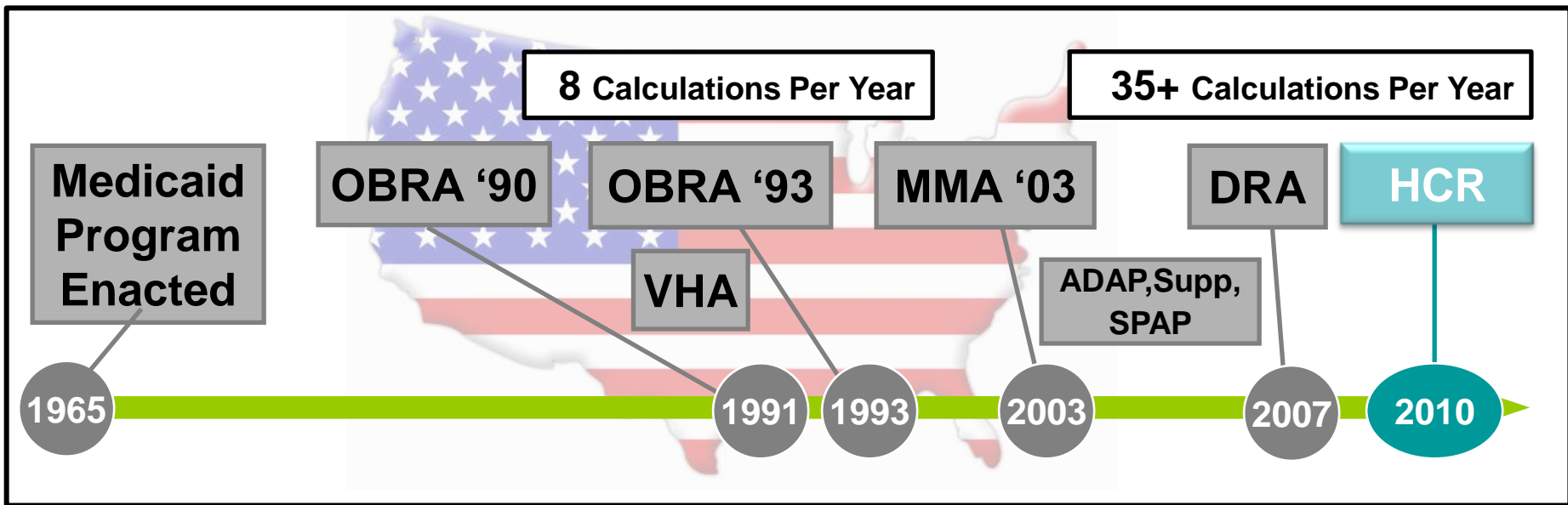


- Inefficient Healthcare model
- Regulatory 'Reform' = 'Perfect Storm'
- \$ eyeing **pastures** for innovation and growth
- Innovation ~ Risk vs. Value
- Value = Collaboration, Controls, Compliance

“ Payers and policymakers talk about value, not innovation, “if you ignore payers and policymakers, you are not going to be successful in the new world we are entering.” ”

Angus Russell, CEO Shire

Regulation – An Evolving, Sometimes Painful Narrative



\$40 Billion of Federal Fines from 1986 through 2010



HEALTH INDUSTRY NOVEMBER 4, 2011
Glaxo to Pay U.S. \$3 Billion to Settle

- Concealment of Best Price
- Kickback Schemes
- “Marketing the Spread”
- False Claims Violations

Tectonic Shifts in Life Sciences Not Limited to the US

A Flatter World

- Emerging markets unique
- M&A, Specialty, partnerships challenge supply chain
- Increasing cross-border trade, price sharing and tenders

Rise of 'Managed Cost'

- Demand for Returns – Rebates, Fees, Promotions
- Therapeutic substitution, OTC switches, Benefits design
- Comparative Effectiveness

Sales & Marketing → Planning & Product



Top Line → P&L

Brand is not Enough

- Loss leadership not an option
- Poor internal coordination affects competitiveness
- Focus on maximizing Market Share vs. Maximizing Profit

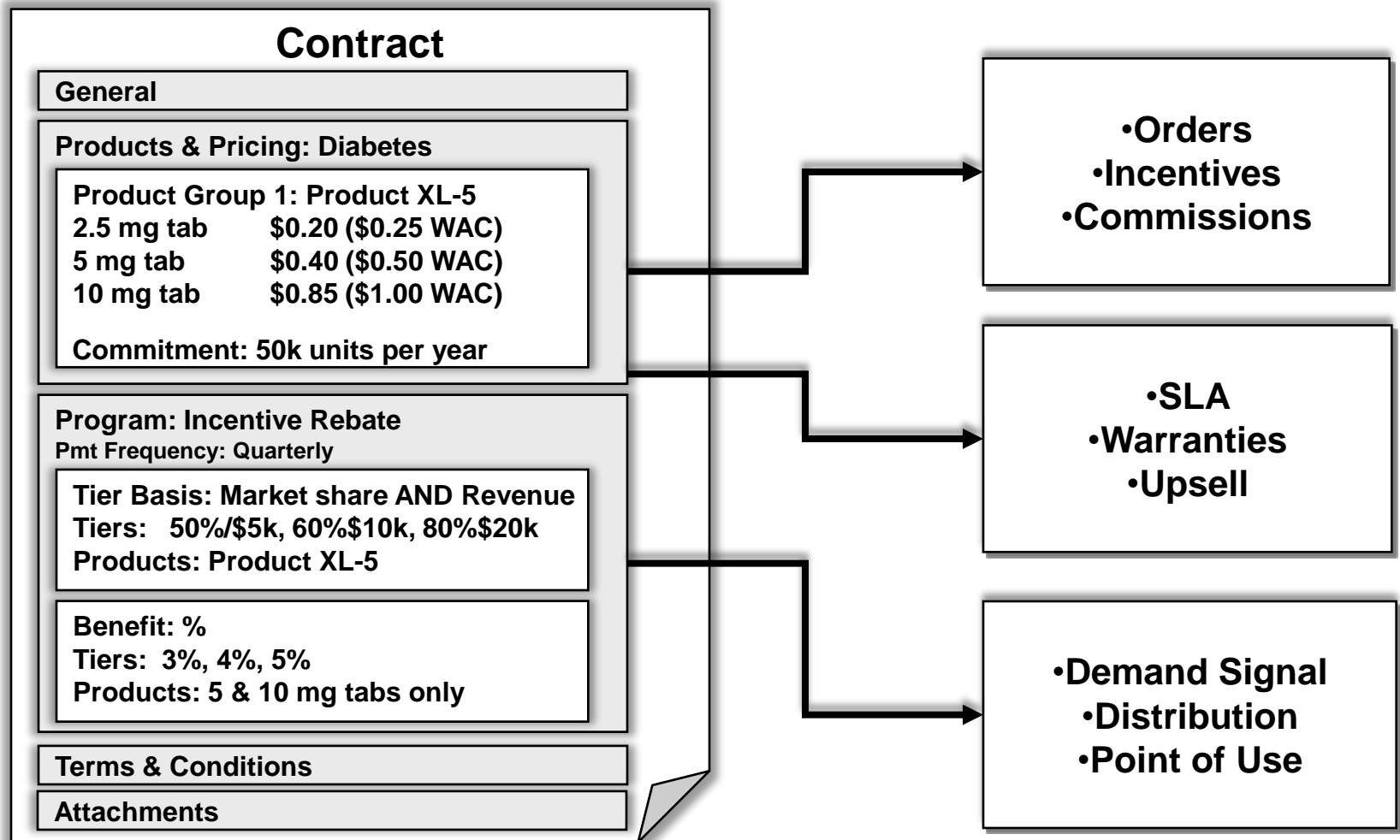
Regulatory Activism

- Price Referencing
- US joining 'price setting' ranks of Europe, Americas, Asia
- Physician Sunshine Act; Healthcare Reform a new era

The Basics Require a Razor Sharp Focus

- Universal Price Transparency
- Value Based Reimbursement Regimes
- Pricing, Contracting and Sales Integration
- Sales and Marketing Regulatory Compliance

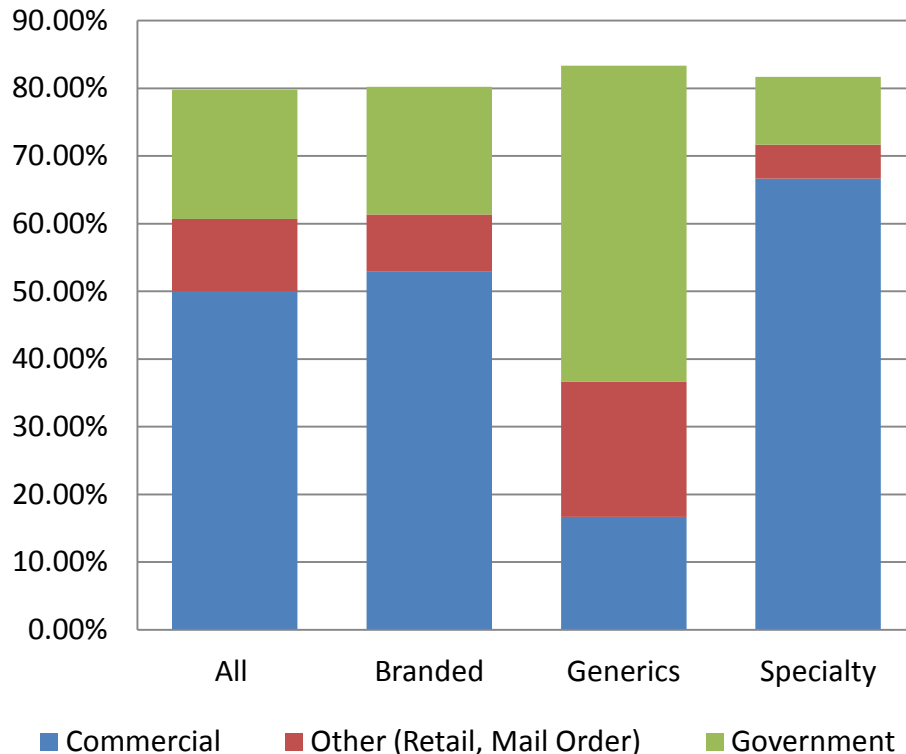
The Sales Contract is One Particularly Pivotal Point



How much of your Revenue and Regulatory Risk is Stuck in a Filing Cabinet full of Contracts?

7th Annual Revenue Management Excellence Survey (2010-11)

Contracted Revenue as % of Annual Sales

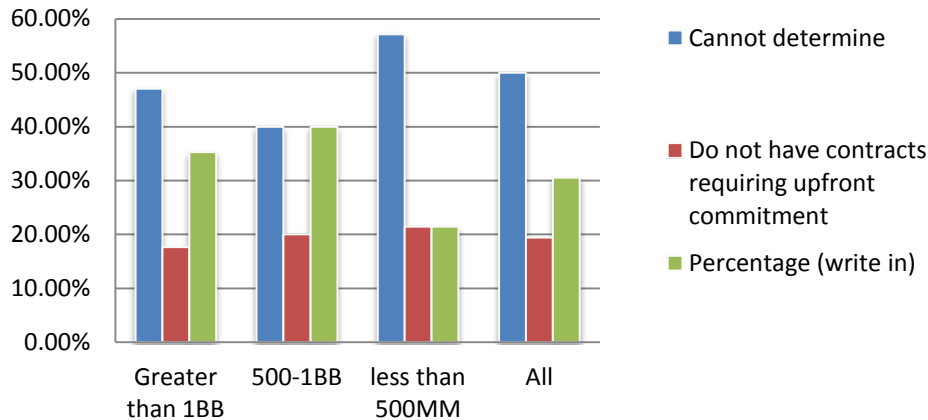


60 Pharma Companies; 25 Medtech Companies

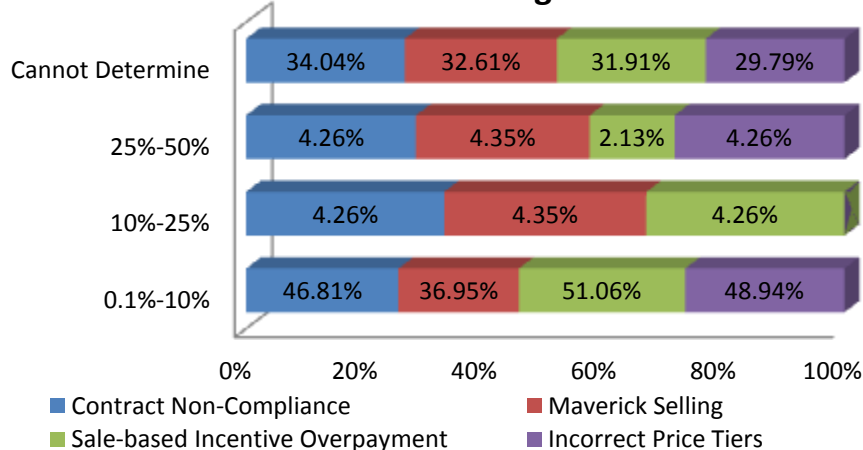


Yet, in the Real World – Contract Profitability, Revenue and Customer Loyalty are at Risk

35% Contracts Monitored; 68% don't Monitor Compliance



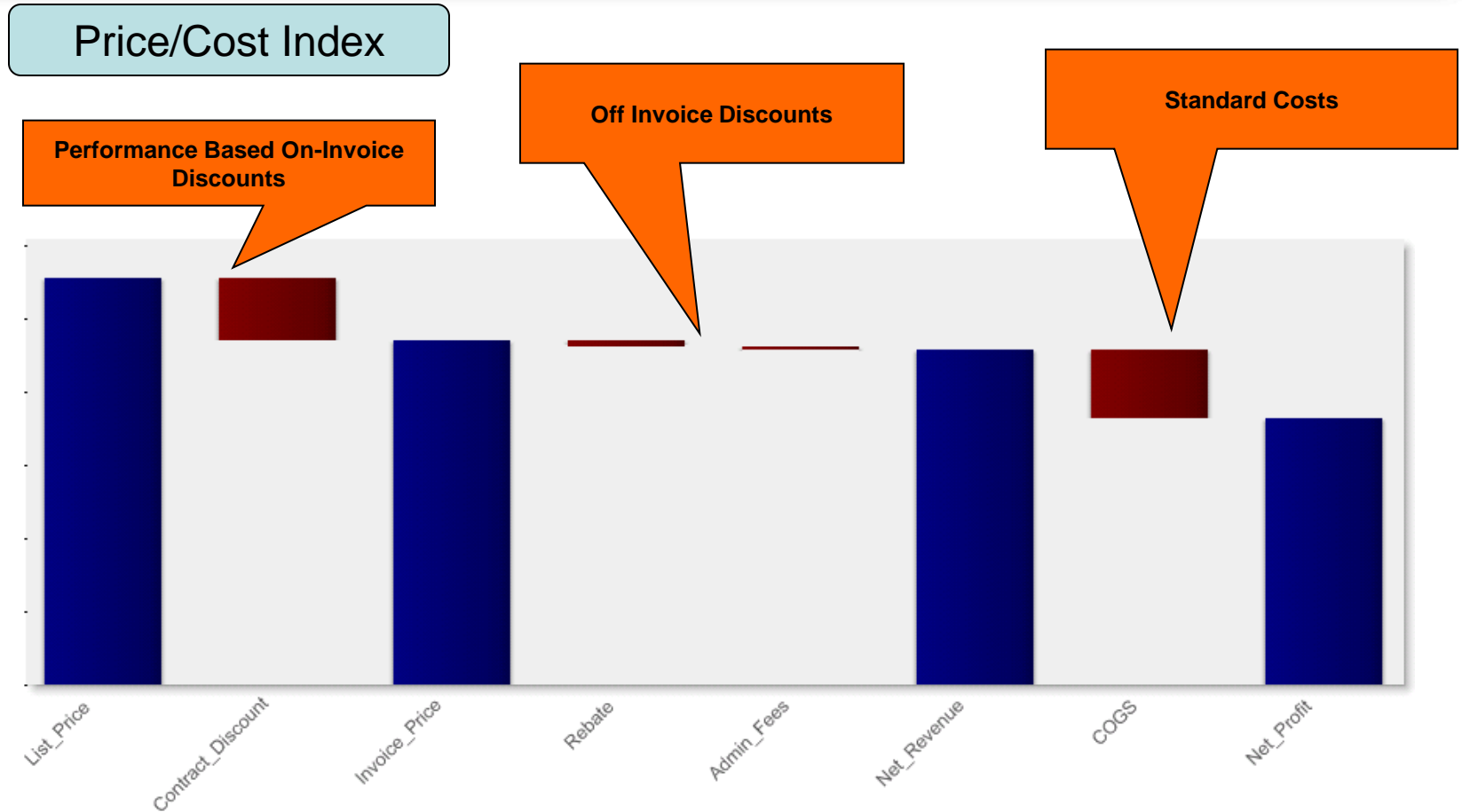
Revenue Leakage Estimates



Real World Examples

- \$3.7MM in revenue leakage on audit of \$100M contract
- Unofficial rebates driving ~40% erosion from gross to net
- A special price request in Wisconsin sets the effective Price Ceiling in Brazil for a blockbuster drug or device
- 17,000 price expiration triggers tied to GPO membership file update

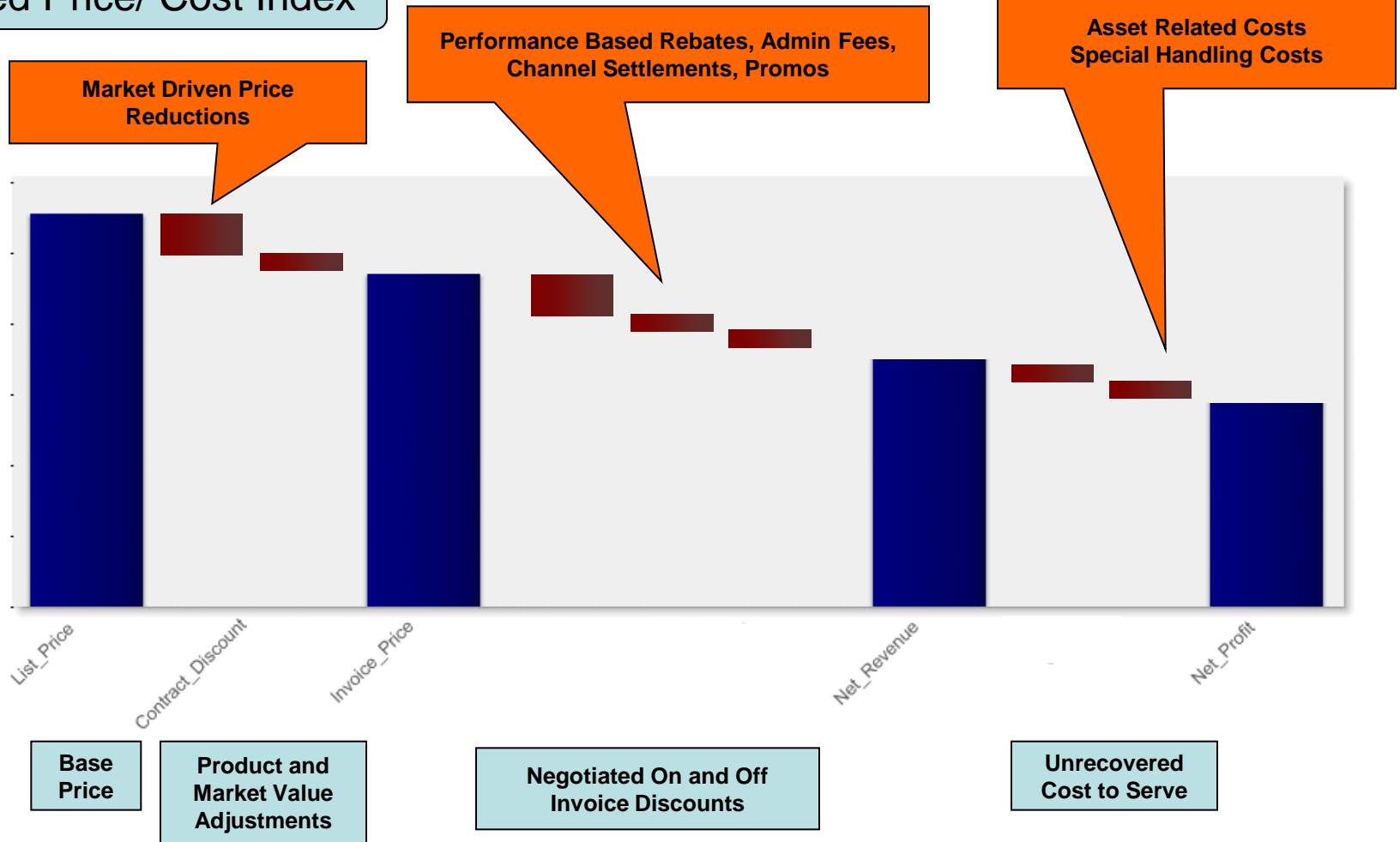
Profitability – Conventional Contracting View of the Price Waterfall



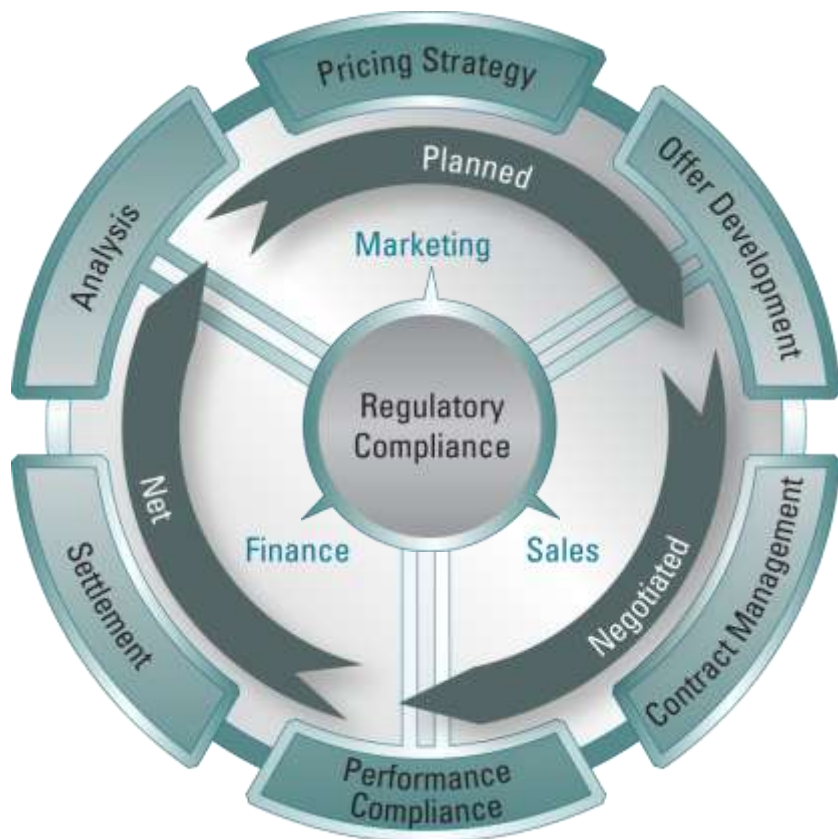
Missing – Granular Insight into true Cost to Serve

Profitability – Expanded View

Extended Price/ Cost Index



Integrated Contact to Contract to Cash life cycle



Revenue Lifecycle

□ Model N Vision

- End-to-end revenue lifecycle
- Integrated across the enterprise
- Pharma, Bio, Medtech, Animal Health

□ Industry-specific Drivers Necessitate Vertical Expertise

- Life Sciences: **Revenue and Price Effectiveness, Regulatory Compliance**
- High Tech: **Margin erosion, channel revenue recognition**

□ Complements Enterprise Infrastructure

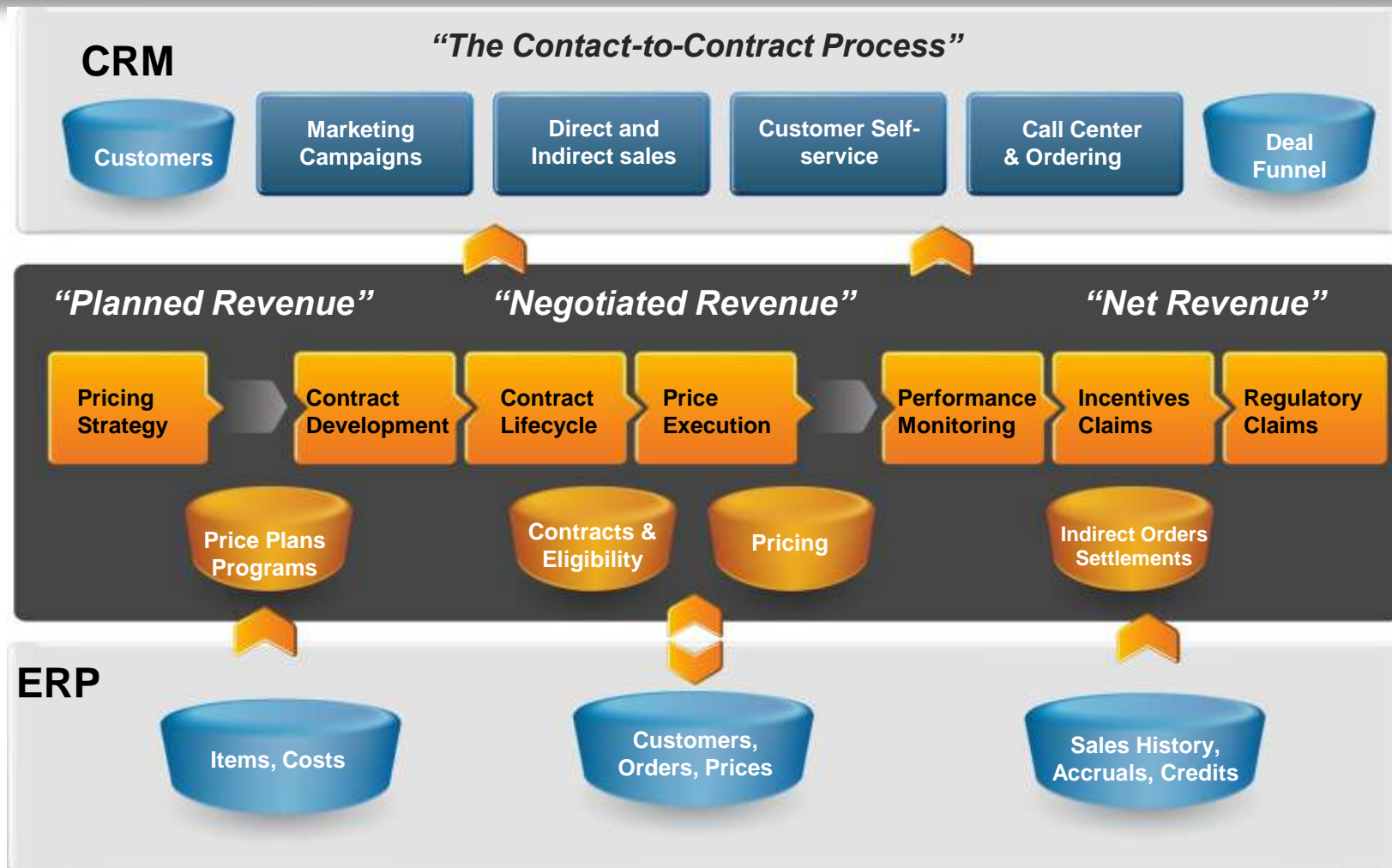
- Completes “Order to Cash” process
- Seamless integrates to CRM & ERP

Model N – Life Sciences Revenue Management Leader



- ▶ Pricing, contracting, incentives, channel management, government pricing, analytics
- ▶ In production across 35 countries on premise and in the cloud
- ▶ Domain-specific, embedded best practices to maximize revenue, mitigate regulatory risk
- ▶ Actionable Analytics built into the business process
- ▶ End to end integration with ERP minimizes IT spend and impact

Front and Back Office Integration is Critical





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