CASE STUDY

50+ DEAL ASSESSMENTS ACROSS 18 MONTHS BY A PHARMACEUTICAL COMPANY

UTILIZING A CONTRACTING SCENARIO SIMULATION TOOL AND ANALYTICS TO EVALUATE CONTRACTING OPPORTUNITIES WITH PAYERS

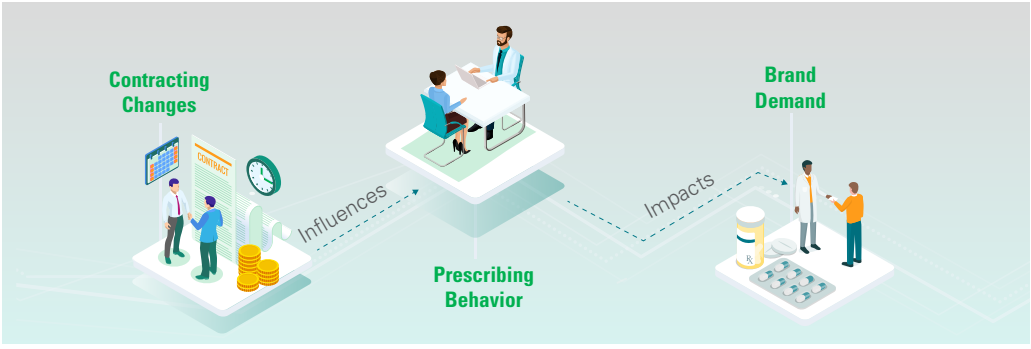
INTRODUCTION

Pharmaceutical companies and payers often sign multi-year contracts with rebates paid based on the formulary position of a drug, and brand performance versus a baseline (i.e., national market share and percentage of growth over a specified timeframe), or a combination of both. Due to the financial significance of contracts with payers (rebates are one of the most significant line items on the income statement of a pharmaceutical company), pharmaceutical companies normally conduct a detailed analysis before finalizing deals.

Several factors impact deal performance, and it benefits a pharmaceutical company to thoroughly gather and analyze as much data as possible to make the most informed decision. An effective process for making contracting decisions requires consideration of the quantitative ramifications of contracting and should meet the needs of multiple stakeholders in an organization.

To quantify the impact of contracting, several questions related to market conditions and relevant variables need to be answered, such as how important is the plan, what controls on prescribing does it apply, and what is the effect on a drug if it is moved up or down in tiers or if a restriction is added or removed. Contracting scenario simulation tools and analytics can be utilized to answer all these key questions and more. These approaches can be leveraged to understand the various levers (includes formulary access controls such as prior authorization, step edit, and tier position/co-pay) payers utilize to control brand utilization.

By using historical data, a brand's performance can be predicted by adjusting these levers to quantify the direct impact of plan changes and the spillover effects on the other plans. The analysis model data from multiple feeds to map the managed care landscape for a brand and can play a significant role in determining the most optimal payer contracting strategy. For example, a pharmaceutical company can assess one formulary tier's impact on the corresponding brand performance to determine the best negotiation options with payers. Also, predictive analytics can help to conduct an ROI analysis for each contracting strategy.



AXTRIA
INGENIOUS INSIGHTS

This case study illustrates how Axtria engaged with a leading top 30 global pharmaceutical company to create a market access capability, enabling the company to quantify the impact of contracting changes and assess business feasibility [in terms of return on investment (ROI)] by simulating different contracting scenarios.

BUSINESS SCENARIO

The client's pricing and contracting team were inundated with business questions relating to payer contracting decisions such as:

- Which payers have the highest opportunity (in terms of the total impact of all the possible positive contract changes) to improve brand share?
- How is the market access of a brand in a plan (with regards to tier status, restriction, and relative status concerning competitors)?
- What will be the impact of a contracting change?
- What is the ROI of changing a payer's rebate?
- What is the brand share in a plan as compared to other brands?
- Will contracting changes in one plan have a spillover effect on the other plans?

To address these critical business questions, the client needed to:

1. Compare plans
2. Simulate contracting scenarios, and
3. Prioritize plans

This requirement necessitated developing an analytically driven online tool that assists in assessing contracting decisions such as the following:

MANAGED MARKET DYNAMICS
Monthly updated prediction model

DEAL/NO DEAL
Decisions based on quantified impact of contracting changes

PRIORITIZATION OF DEALS
Payer prioritization to identify payers with the highest opportunity (in terms of total impact of all the possible positive contract changes) to improve brand share?

ROI STUDY
ROI associated with changes in contracting

KEY OBJECTIVES

Axtria created a market access capability for the client's pricing and contracting team so that they would be enabled to:

- **Quantify the Impact of Contracting Changes –** Develop predictive models to quantify the sales impact brought about by contracting changes in the managed care market.
- **Develop ROI Capability –** Build an end-to-end tool to allow users to simulate contracting scenarios and assess business feasibility in terms of ROI.

AXTRIA'S APPROACH

A structured approach was adopted to deliver a fully functional set of capabilities, and it consisted of the following steps:

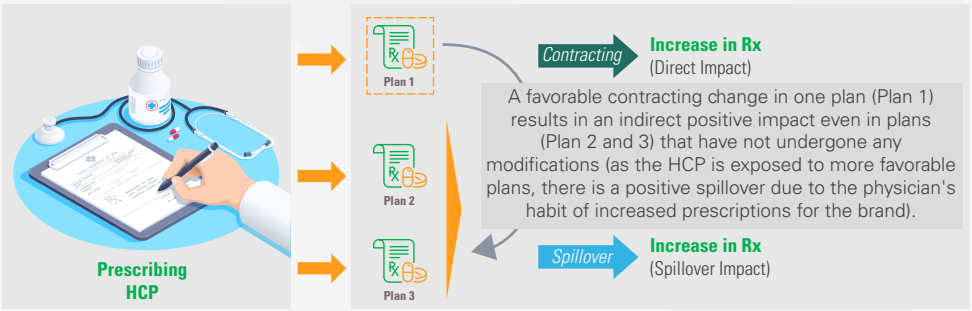
1. DATABASE DEVELOPMENT

- A master dataset was created by integrating the available managed market datasets. Such data includes plan and prescriber-level prescription data across brands, formulary data, and claims data.

2. PREDICTIVE MODELING

- Axtria evaluated the favorability of plans based on several contracting levers.
- Numerous variables related to plan characteristics and brand positioning were used to define the favorability, taking into consideration various managed market dynamics in the competitive landscape.
- Axtria studied the impact of contracting changes and found that contracting modifications led to two types of effects on sales (as illustrated below):

  1. Direct 2. Spillover



- Axtria also conducted an "opportunity analysis" to identify top payers with the highest opportunity (in terms of the total impact of all the possible positive contract changes) to improve brand share.

3. TOOL DEPLOYMENT

- Axtria developed an interactive contracting scenario simulation tool (available online 24X7) that made the processes more efficient and streamlined.
- The tool, supported by prediction models, is refreshed monthly with the latest data.

The **contracting scenario simulation tool** has been used by the client in more than **50+ deal assessments across 18 months.**

BUSINESS BENEFITS

The contracting scenario simulation tool provided the following benefits to the client:

- **Improved Decision-Making:** Make informed decisions by simulating different contracting scenarios.
- **Faster Decision-Making:** Take quick decisions through real-time analysis of the most recent data.
- **Efficient Business Planning:** Conduct "opportunity analysis" by identifying top payers where a contracting change will lead to the highest impact on brand share.
- **ROI Analysis:** Identify ROI based on the rebate provided to the payer and the impact of contracting.

CONCLUSION

The financial significance of contracts with payers makes it imperative for pharmaceutical companies to evaluate contracting decisions thoroughly. Contracting scenario simulation tools and analytics can be used to understand the various formulary access controls payers use to manage brand utilization and measure the direct and indirect (spillover) impact they have on prescribing. Insights resulting from this analysis can be applied by pharmaceutical companies when negotiating contract terms and rebates. The ability to identify which payers a pharmaceutical company should contract with, how much it should rebate, and how it should change its contracting strategy over time is crucial to ensuring long-term profitability.

1. ***Related Blogs:***
   a. *What Managed Care Analytics Means to Pharma Brand Success – Part 1*
   b. *What Managed Care Analytics Means to Pharma Brand Success – Part 2*
   c. *Managed Markets - Deal Assessments*
2. ***Learn More About:*** Axtria's Managed Care Analytics Capabilities