

HEALTH  
INSURANCE



**PART 1**



# FUTURE OF PHARMA: EVOLVING COMMERCIAL MODELS

# Future of Pharma: Evolving Commercial Models

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## Introduction

The pharmaceutical industry is in a state of flux with the increasing influence of payers, pressure from the government with restricted healthcare budgets, and the rise of multi-channel marketing. The main trends<sup>1</sup> that are forcing the pharma industry to reassess their commercial strategy include:

**1. Increasing focus on pricing:** The increasing focus on healthcare cost containment by payers is changing the type of pricing negotiations between pharma companies and payers. The pricing is now becoming outcome and evidence-based and requires demonstration of value to specific patient sub-populations.

### 2. Declining access to physicians:

With digital technologies and socially available information giving Health Care Professionals (HCPs) access to drug-related information that was earlier sourced primarily from the sales representatives, there's a stark decline in direct access to physicians. Patients are also more knowledgeable and have a more significant say during their treatment.

**3. The evolving role of sales and marketing:** Sales and marketing functions continue to be a significant area of investment for pharma companies, not just for information dissemination, but also to drive commercial outcomes, primarily to ensure that the right product

**Payers are more restrictive and taking steps to reduce cost burden.**

— Leader, Global Pharma

messages reach the right customers at the right time. Meaning, pharma companies need to continually evolve to meet newer market and customer needs, and work more efficiently to drive revenue and maximize the potential of their sales teams.

Thus, pharma companies are compelled to reassess their commercial strategy and operations and are being driven to evolve faster than they ever anticipated.



## Methodology

To decipher the complexity of the evolving pharmaceutical market landscape and its impact on business operations, Axtria conducted interviews with several senior pharma commercial operations leaders. The objectives related to determining the potential implications of the challenges mentioned above on business operations, sales and marketing objectives, and changing focus on commercial models from allocation to Rx volume.

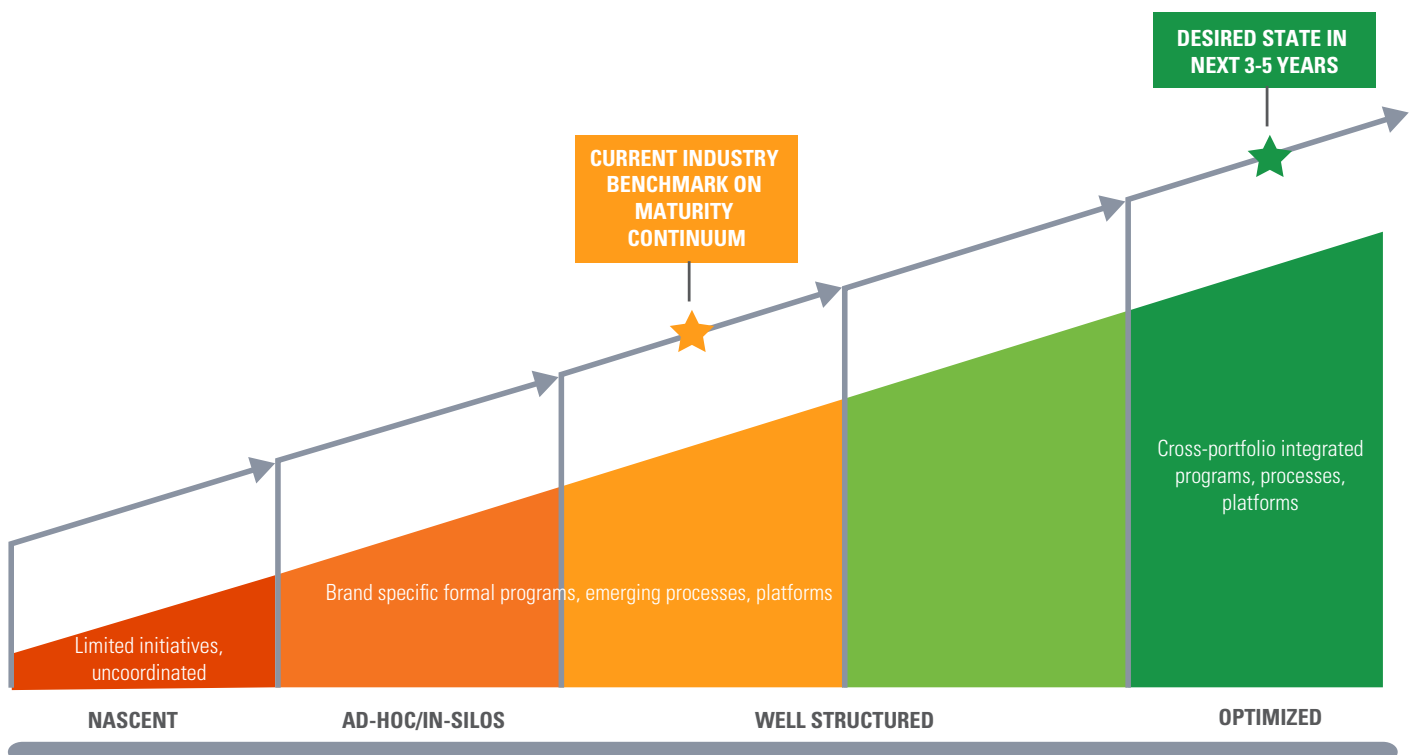
To go about unraveling these questions, Axtria surveyed commercial operations leaders from global top 10 pharma companies on their view on:



This report captures their responses and infers probable scenarios based on the research to illustrate changes and

gaps the industry is experiencing, and suggests actionable recommendations to address them.

**FIGURE I: THE CURRENT AND DESIRED STATE OF THE PHARMA COMMERCIAL MODELS**



Source: Axtria Survey on Future of Pharma Commercial Models.

## Findings: Changing Focus of Pharma

There is a shift in pharma industry from primary to specialty and orphan drugs<sup>2</sup>. The ailing target populations for these drugs are small, meaning the costs of access and subsequent treatment are high. With the therapy becoming more expensive because of the shift, it is now important for pharma companies to

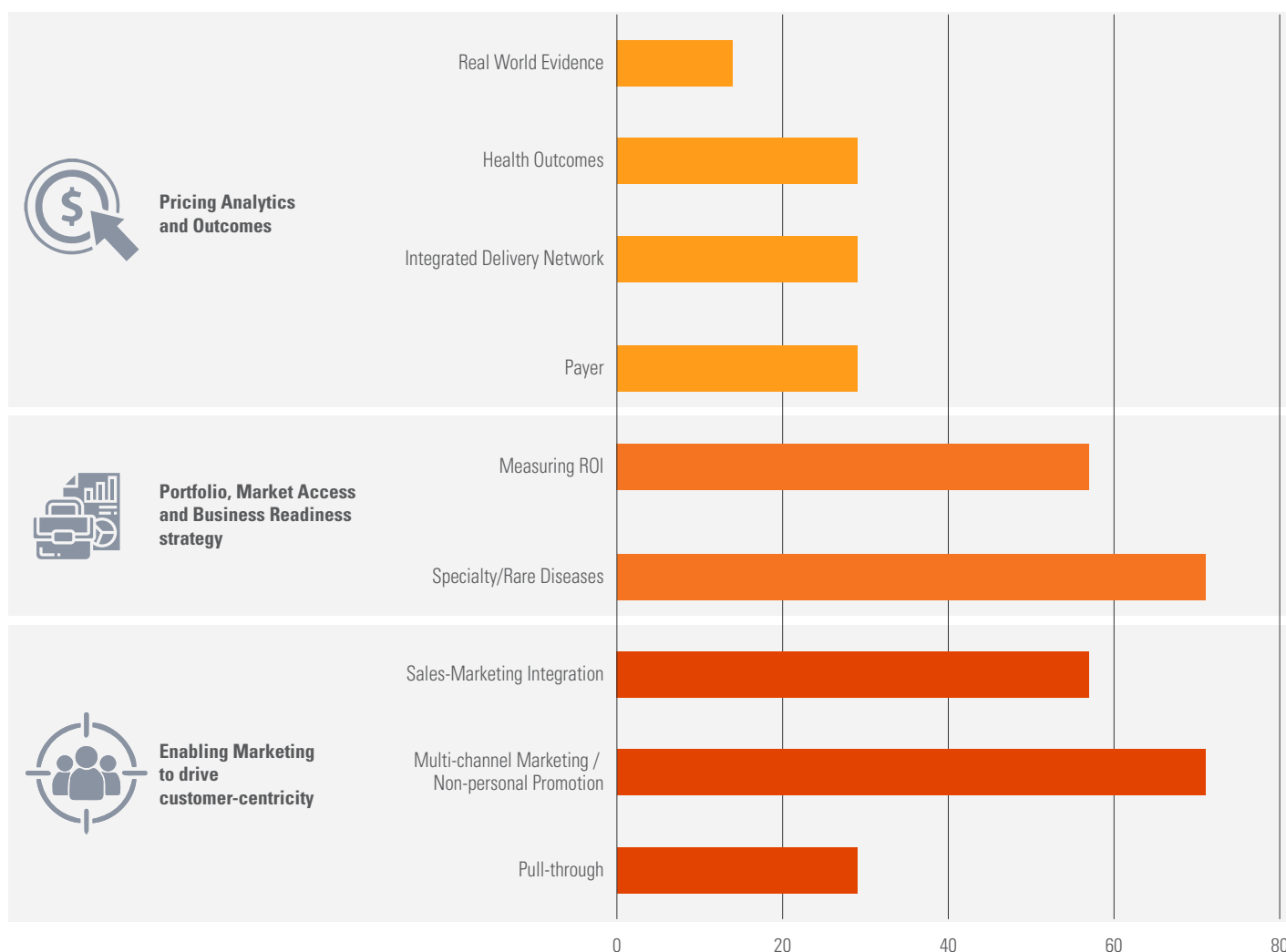
demonstrate the value of their drugs vs. cost. Companies can attain the much needed value perception by showcasing health outcomes via specialized technology, accurate data, and the right people in achieving a favorable position in the formulary.

From the pharmaceutical internal ecosystem's point of view, the interviewed leaders highlighted certain

specific areas that they plan to invest in in the coming years to prepare for the changing focus, such as:

1. Pricing Analytics and Outcomes
2. Portfolio, Market Access and Business Readiness strategy
3. Enabling Marketing to drive Customer-centricity

**FIGURE 2: CHANGING FOCUS OF PHARMA**



Source: Atria Survey on Future of Pharma Commercial Models.

Notes: This chart represents the percentage of interviewees that mentioned these keywords as an area of focus.

## Pricing Analytics and Outcomes

In addition to the arguments on value-based outcomes, the government's focus on growing medicine access has moved the pharma lens toward generics, which have consequently got accelerated approvals. The swelling generic medication in the ecosystem has added to the growing influence of payers and providers (in consolidation mode<sup>3</sup>) due to increased competition. At the other end of the spectrum, there is also an ever-increasing consumer demand from an aging and increasingly ill population. Thus, drug pricing has come under pressure from the government and payers who are seeking to mitigate the increased cost of treatment. To find the delicate balance between cost pressures and business sustainability, the pharma industry is shifting a part of its focus on discovering and launching orphan and specialty medicines, which caters to the aging population and

necessitates the movement to value-based model designs (and for some of the arguments on pricing made earlier). The inherent focus of specialty drugs is health outcomes, which go in line with value-based pricing. An intricate network of the co-existing health delivery systems and Integrated Delivery Networks (IDNs) in the healthcare delivery model deliver these healthcare outcomes and therefore, commercial leadership teams are increasingly studying and innovating their portfolios, pricing and go-to-market models to cater to this delivery model.

On the data and governance side, to show real benefits and ill effects of drugs and to manage regulatory compliance, pharma companies are now expected to increase their investment in capturing and demonstrating Real World Evidence (RWE). Companies, therefore, are consciously adding to their ranks new-age roles, armed with

Health Economics and Outcomes Research (HEOR) capabilities, and data infrastructure investments that are directly translating into defining their commercial models.

## Portfolio, Market Access and Business Readiness Strategy

### Specialty/Rare Diseases

As discussed earlier, companies have begun to focus on orphan drugs as a part of their portfolio strategy. A 2016 study conducted by Analysis Group, Inc. found that 17% of Phase III projects and 22% of projects undergoing regulatory review (the U.S. filed or approved, but not yet launched) came under orphan drug designations<sup>4</sup>. As per an IQVIA study<sup>5</sup>, till Aug 2018, there have been 503 approved orphan drugs, and FDA granted orphan drug designations to 429 drugs in development in the year 2017 alone.





The reason for the increasing share of orphan and specialty drugs in clinical development is the favorable treatment they receive during the development process. On the financial side, the average cost of taking an orphan drug through a Phase III program is approximately half the cost<sup>6</sup> of developing a drug that does not target a rare disease.

Besides, regulatory advice and support for orphan drugs throughout the development process is comparatively higher and the median time for filing for FDA approval is also three months shorter for orphan drugs compared to other drugs (10 months vs. 13 months). Not just that, orphan drugs enjoy an extended market exclusivity due to the delayed entry of generics and the developers can claim a tax credit on their clinical trial expenses<sup>6</sup>.

According to an article published in the Orphanet Journal of Rare Diseases, almost one-third of all orphan drugs successfully go from clinical Phase I studies to market launch compared to ~ 10% success rate for other drug projects<sup>7</sup>.

Given all this, rare diseases continue to garner special attention from a commercial model perspective as well. With roles like case managers and therapy specialists putting their focus on patient advocacy, awareness, health economics, access and reimbursement, companies are realizing the importance of shifting their attention away from a portfolio-rep approach to a therapy area approach. In effect, since rare diseases require personalized and targeted therapy, the sales reps must be specialized and capable of delivering complex scientific messages and should be able to engage physicians at an advanced level.

### Patient Engagement and ROI Measurement

Pharma companies are realizing the importance of patient engagement and building a patient-centric culture. Companies that have engaged patients in their healthcare journey have found that there have been resounding benefits. They have found better patient compliance leading to improved health and economic outcomes, lowered

Oncology medicines make up a significant portion of orphan drugs as cancer is really a whole slew of rare diseases<sup>4</sup>.

healthcare costs, and synergistic relationships. Given these outcomes, pharma companies are now including the patient's voice and insights at not just the product marketing stage but also during drug development<sup>8</sup>.

As per the discussions with business leaders, they realize that pharma companies must support patients on therapy across all engagement channels, through the entire patient journey to creating meaningful experiences to reap benefits of a truly customer-centric strategy. They understand that their companies need to bring together patients, HCPs, and other stakeholders by offering tools and programs, and building support and engagement models to help patients feel connected.

To achieve these results, the leaders also need to track and measure the

**FIGURE 3: REGULAR AND ORPHAN DRUGS SUCCESS RATE (SUCCESS OF DRUGS MOVING FROM PHASE I TO MARKET LAUNCH)**



Source: Jayasundara, et al. Estimating the clinical cost of drug development for orphan versus non-orphan drugs. Orphanet Journal of Rare Diseases. 2019; 14:12.

patient engagement KPIs to ensure that their initiatives are working. According to them, these KPIs could include social metrics such as clicks, impressions, shares, likes, and comments. To this end, social listening is helping them determine patient sentiment pointing to the pain areas for patients. Social listening is also supporting the commercial operations leaders to understand how patients are responding to the outreach efforts and how likely they are to convert.

The direct impact of this development on the commercial models is an increased demand for roles well versed with the latest and greatest technology to capture and analyze data to understand patient engagement. Pharma companies need to build a patient-centric culture and bring in people that have experience in driving patient engagement. Their business and marketing ROI will be determined by how accurately their data provides insights that they can operationalize.

## Enabling Marketing to Drive Customer-Centricity

### Non-Personal Promotion Adoption

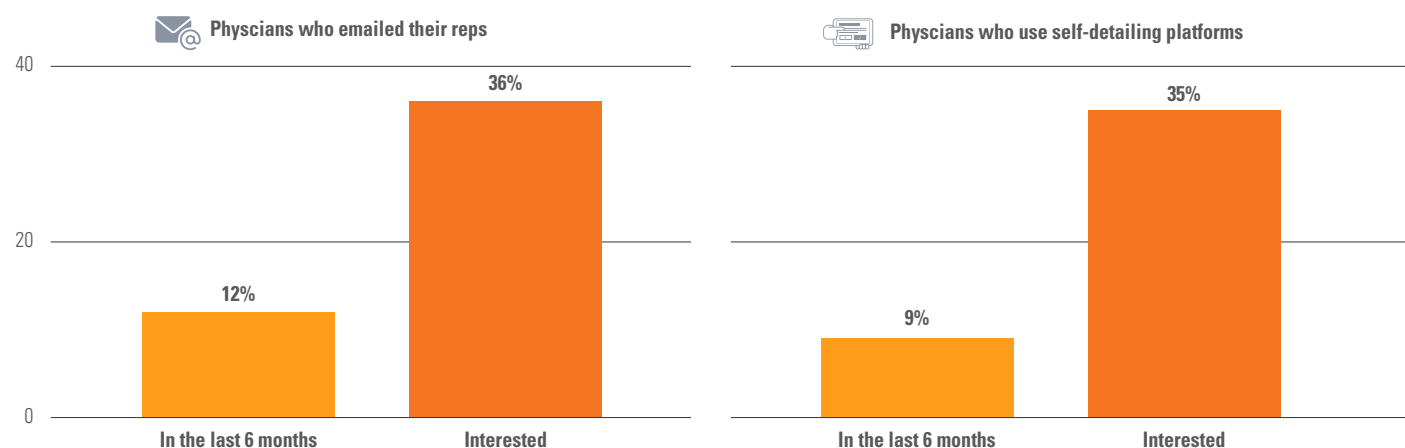
As pharma industry is moving from Rx to a value-based model, most companies are now promoting not just to providers, but payers, and patients/caregivers using personal and non-personal channels. This approach, however, does not provide the omni-channel customer experience needed to truly engage them. To deliver an omni-channel customer experience, pharma companies need to use the knowledge of customer preferences, behaviors, and optimal engagement levels to develop campaigns that address the target customers on their terms. Pharma companies must establish the capabilities to harmonize the delivery of relevant, timely, and personalized content and messages on preferred channels.

There is an increasing number of doctors (40.6% as of August 2017) who are restricting access to reps as determined through a survey conducted by SK&A<sup>9</sup>. That said, more and more physicians are willing to connect with

the reps remotely as well. As per ePharma Physician's annual study, 12% of doctors said they had emailed their rep in the past six months, while 36% showed the willingness to do that. Another 9% of HCPs used self-detailing remote information programs, while 35% displayed interest in using these programs<sup>10</sup>. According to 2016 Adobe Digital Insights U.S. Digital Health Survey, 49% of HCPs spend four to five hours a day on their digital devices conducting research or engaging with their peers<sup>11</sup>.

So, data is pointing towards digital or non-personal channels gaining traction, and companies, therefore, are especially keen to measure the effectiveness of these tactics with agility. They understand that using the knowledge of customer preferences to develop campaigns that address the target customers on their terms is essential in developing the foundation of the omni-channel customer experience. A multi-faceted approach to address this objective lays down the framework, with people, process, technology, and analytics at the center.

**FIGURE 4: PHYSICIANS WHO EMAILED THEIR REPS AND USE SELF-DETAILING PLATFORMS**



Source: SK&A (2017).

Being equipped with operational capability that can result from customer insights, marketers will be able to create campaigns that adjust to customer preferences and develop meaningful, personalized messages. These additional meaningful interactions will lead to more engaged customers and ultimately drive revenue growth and marketing ROI.

### **Sales-Marketing Integration and Multi-Channel Marketing**

The interviewed leaders agree that the pharma companies will need to utilize a combination of different channels to reach the HCPs through multi-channel marketing, owing to the decreasing rep access. However, multi-channel is much more than a proliferation of channels – it is an opportunity to look at multiple stakeholders, the experience an organization creates, and understand where and how they interact.

It is essential that all available channels are brought together to deliver on the promise of a true multi-channel strategy. To ensure a successful implementation, various departments within the organization need to stop working in silos. Pharma companies are willing to adopt a platform if that can make the implementation process of multi-channel tactics simple and effective, and easy to track.

Thus, to have a holistic view, cross-pollination between teams, especially sales and marketing, is a big focus area for most leaders. This union of teams will also help in implementing a multi-channel marketing strategy, which companies realize, is a crucial investment area but are not fully aware of how to apply it.

### **Customer ‘pull-through’ strategies**

Pharma companies look forward to being able to build and execute on pull-through customer strategies, or pull-toward strategies, with agility, which currently take significant time to design and implement. These strategies help pull patients towards the brand through targeted messaging by leveraging data and local market insights. Pharma companies can achieve pull-through excellence by understanding the key stakeholder influences at all decision points in the patient journey, ultimately leading to brand success<sup>12</sup>.

Achieving success with pull-through strategies involves the right messaging tailored to the needs of the target audience with a specific ‘call-to-action.’ The communication needs to become more integrated, coherent, and personalized. Multiple channels should be utilized for the outreach to provide the customers with valuable and appealing content at the optimal frequency.

Pharma companies should have specialized roles in their marketing teams which can cater to these needs and help them implement a successful pull-through strategy. They should work in tandem with managed care organizations to influence physician prescribing behavior by understanding payer control, patient affordability, and prescriber receptivity, in effect increasing market share.

To summarize, the pharma landscape is evolving, calling for a shift in the way pharma companies operate. Based on our discussions with the industry leaders, it is evident that the pharma

 **No one in the industry has taken a risk of implementing true multi-channel.**

– Leader, Global Pharma

companies must invest in transforming their models to meet the unmet needs of this changing market landscape.

With pricing coming under scrutiny, pharma companies are moving towards value based models and showcasing RWE. More and more pharma companies are entering into the orphan drugs space given the favourable treatment they receive and the associated financial benefits. This arises the need for specialized roles with a focus on patient advocacy, access and reimbursement and capability to deliver complex scientific messages to engage the physicians. Pharma companies are understanding the need of becoming customer centric and thus are realizing the importance of constantly tracking and measuring patient engagement KPIs and delivering a truly omni-channel customer experience. To enable this, it is important that different departments within the firm do not work in silos and there is a cross-pollination of ideas, especially between sales and marketing.

In the [second part](#) of this two-part series, we will find out how pharma companies need to evolve the four pillars of pharma commercial models, i.e., people, process, technology, and data not only to stay relevant but also to succeed and make a meaningful difference in the lives of patients.





**People:** The need for pharma to provide exceptional patient experience at all points of the treatment journey arises the opportunity to come up with new and meaningful customer-centric roles. There is an increased focus on competency building such that the existing roles can evolve to act as trusted advisors.

**Process:** Pharma commercial leaders are looking to invest in transformative processes to stay ahead of the curve. This would include decentralized operating models, implementing standard platforms, and mobilizing agile and flexible commercial operations.

**Technology:** The leaders articulated that having the technology to inter-link sales, marketing, clinical, and digital data at speed and efficiency is critical to enable the entire commercial model. This would involve investment in big data framework and AI/ML, platforms that deliver on performance, security, scalability, and integration capabilities and technologies that allow access to patient data within regulations.

**Data:** Healthcare data is growing at an astronomical rate and has the power to provide a 360° view of customers to enable quicker decision making and more efficient and effective targeting.

There is an increasing demand from pharma strategic partners to have knowledge and expertise in dealing with such data. Marketing plans work better when insights from sales teams complement them and powered by data, thus highlighting the necessity for marketing and sales functions to liaise closely.

Stay tuned.

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