WHITEPAPER

Taking a lifecycle approach to revenue management

Finding the right partner for your commercialization and maturity journey

PRESENTED BY:

Model N

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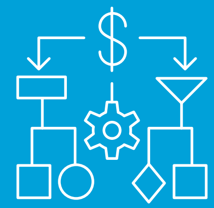
CONTENTS

INTRODUCTION

From beginning the journey to becoming a growing and maturing organization, pharmaceutical manufacturers face numerous critical decisions throughout their lifecycle. One of the most important is who will be their compliance and revenue management partner throughout each stage of the commercialization journey – from pre-launch to growth to establishing themselves as a top-tier multinational firm.

Forward-thinking manufacturers select a compliance and revenue management partner based on their ability to provide support throughout the entire journey, not just a single phase. The level of business continuity, efficiency and expertise that's available from a partner focused on the entire commercialization journey sets up manufacturers for success both now and into the future.

Regardless of where they are in their journey, manufacturers need a partner that specializes in six key areas: government programs, compliance, commercial contracting, finance, analytics and executive reporting. They also required the combination of technology, people, and processes that can provide business services, enterprise software solutions that enable stability, and a hybrid approach of services and technology when necessary. This approach lets manufacturers focus squarely on their growth strategy while leaving business processes and technology management in the hands of someone they can trust.



What is Revenue Management?

Revenue management refers to the optimization of revenue activities to maximize growth. Activities include, but are not limited to, rebates, compliance, contracts and price modelling, and cross multiple functional areas such as sales, marketing, finance, IT and operations.

THE CHALLENGES OF THE COMMERCIALIZATION LIFECYCLE

Pharma manufacturers tend to fall into one of three stages of the commercialization lifecycle. Each has its own set of business goals and challenges.

	Emerging firms	Growing firms	Established firms
Company stage	Commercialization	Growth mode	Multinational
Business goals	Launch product and achieve post-launch growth	Increase market share and revenue, potentially for M&A	Grow revenue and market share profitably
Challenges	Focus on strategic priorities and support business processes	Improve process efficiency and scale to meet evolving business needs	Master revenue management and maximize business process execution
Revenue management solution	Business services	Hybrid approach combining business services and enterprise technology	Enterprise technology

Emerging firms are seeking approval for their initial product(s) prior to launch. As a result, these firms tend to be laser focused on obtaining U.S. Food and Drug Administration (FDA) approval and bringing a product to market. To enable leaders to maintain this focus, emerging firms benefit from a compliance and revenue management partner that provides a range of cost-effective business services and expertise when firms face knowledge gaps or lack the resources to hire their own staff. These services include managing diverse payer and provider contracting processes, complying with state- and federal-level pricing and reporting requirements, managing pricing strategies and monitoring channel partner data.

Growing firms have successfully brought one or more products to market and are therefore, focused on growth. This includes bringing additional products to market, increasing market share for existing products, entering new markets and so on. While some firms look to grow to the point of becoming multinational firms, others leverage growth to position themselves favorably for a merger, acquisition or sale. These firms need a revenue management partner with the flexibility to provide business services to support revenue growth for new product launches and handle the day-to-day compliance and commercialization processes associated with existing products. This partner should also offer enterprise technology that supports and streamlines existing business processes, mitigates risk and supports revenue growth.

Established firms are top-tier multinational entities that are experienced with product launches in numerous markets. With this experience come established internal expertise and resources allocated to executing business processes. However, these firms often suffer from complex and siloed workflows that are supported by legacy software systems or even manual processes. These inefficient workflows can lead to revenue loss, risk of regulatory non-compliance, poor contract management, inaccurately calculated chargebacks and mismanaged pricing throughout the product lifecycle, especially in regions with different reference prices and regulations. Established firms need a revenue management partner with a suite of enterprise technology solutions capable of addressing these needs at a significant scale.

6 KEY REVENUE MANAGEMENT CONSIDERATIONS FOR MANUFACTURERS

Pharma manufacturers pursuing growth face six key considerations when it comes to optimizing revenue management. Some considerations may be more directly applicable to certain stages of the commercialization cycle, but every firm will face these challenges as they bring products to market, pay claims and assess new opportunities.

1. Regulatory compliance

Documenting compliance with government regulations in the United States is a significant undertaking. Manufacturers have monthly, quarterly and annual reporting requirements to meet. In addition, they must be able to document and audit individual transactions while reproducing their methodologies for setting pricing policies. Finally, certain programs have entry requirements for potential participants, such as the application for “P” number for Centers for Medicare & Medicaid Services (CMS) programs or federal supply schedule (FSS) contracting with the Department of Veterans Affairs. Frequent updates to reporting requirements or pricing policies also require firms to keep track of changes and adjust business processes accordingly.

2. Government program expertise

Obtaining necessary government approvals is essential for any product launch, and for participating in public payer programs such as Medicare, Medicaid or Tricare. Along with exclusion from participation and substantial fines, firms face the consequences of negative press, which can significantly affect growth. Post-launch, an efficient process for calculating pricing and rebates enables manufacturers to expand their presence in government programs while minimizing the negative impact of miscalculations. Growing and established firms looking to support launches in global markets will need significant resources to ensure regulatory compliance, understand the competitive landscape and set the right pricing strategy – resources that may not be available in-house.

3. Commercial contracting

Increased exposure to regulatory programs, coupled with the operational complexity of managing value-based contracts, adds to the risk of overpayment and miscalculation. Accurate and timely rebate and fee validation, calculation, claim settlement and contract compliance are all critical to revenue growth, but manual processes and spreadsheets make it difficult to stay on top of requirements for formularies, market share and price protection.

4. Financial management

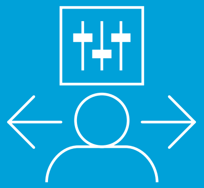
Pharmaceutical manufacturers need to be sure that they offer the right price to the right stakeholder – whether they are contracted with a commercial payer, a group purchasing organization, an integrated delivery network, or a health system participating in a government program such as 340B. Inaccurate market forecasts, mispricing and poor insight into pricing trends or a competitor's plans can lead to million-dollar mistakes. Firms are at a disadvantage when pricing, reimbursement and market access information remain in siloed systems and forecast reports must be compiled manually by copying data from several systems and performing complex calculations in spreadsheets.

5. Data analytics

To achieve revenue growth, manufacturers need access to information that helps them mitigate risk, improve commercial performance and bring products to market quickly. Through real-time analytics, manufacturers can identify and correct rebate overpayments, determine ways to optimize sales contracts for the best prices, and hold proactive conversations with customers who aren't complying with the terms and conditions of their contracts. Furthermore, because data is easily accessible and actionable, firms can identify which wholesalers are generating the most revenue and incentivize continued sales and revenue growth.

6. Executive reporting

In the competitive global pharmaceutical market, manufacturers must constantly evaluate program performance, explore growth opportunities, maximize revenue across all payer contracts and ensure compliance. Informed decision-making depends on making data-driven reporting and analysis available to executive leadership in easy-to-digest reports or dashboards. This is difficult to do quickly and accurately using homegrown reporting systems that rely on manual data pulls from disparate systems and custom reports based primarily on spreadsheets.



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THE BENEFITS OF THE HYBRID APPROACH TO REVENUE MANAGEMENT

Using spreadsheets and manual business processes to perform sophisticated pricing calculations, create detailed financial reports and conduct compliance audits clearly stands in the way of enabling pharmaceutical manufacturers to achieve their goals for growth and expansion. As discussed, to bring a therapy to market, emerging firms most often benefit from business services that support business process optimization; established firms typically need enterprise technology to streamline workflows and increase efficiencies; and growing firms benefit from business services and enterprise technology that support the launch of new products, revenue management of existing products, and/or expansion into new markets.

It's important for manufacturers to consider revenue management partners who can offer a hybrid approach. The clearest benefit of this approach is that it supports product launches and core business processes. Manufacturers do not need to make separate investments in these areas and can work with the same revenue management partner whether they are an emerging, growing, or established firm.

This table shows how the hybrid approach of delivering business services plus enterprise technology addresses manufacturers' six core revenue management considerations.

The benefits of a hybrid approach to revenue management

	Emerging firms	Growing firms	Established firms
Regulatory compliance	Implement processes for pricing policies, reporting requirements and risk mitigation tied to initial product launch and ongoing support	Ensure compliance with regulations in current and additional markets without the need for additional resources	Streamline auditing and reporting processes while staying on top of ongoing policy changes worldwide
Government program expertise	Obtain necessary government approvals and enable participation in key public payer programs	Increase efficiency of pricing and rebate calculations to expand presence in government programs	Minimize impact of miscalculations and leverage resources to support launches in global markets
Commercial contracting	Execute claims and rebate programs to protect against overpayment or price miscalculations	Meet the growing need for formulary and price protection requirements, membership management and contract compliance as market share increases	Validate and calculate more rebates in less time with improved accuracy, allowing for increased volume of contracts
Financial management	Ensure a successful launch by setting the right prices, targeting the right markets and forecasting the right volume	Proactively and continuously adjust pricing and rebate models throughout a product's lifecycle	Gain visibility into internal and external global pricing trends to optimize and better manage prices and contracts
Data analytics	Provide a framework for analytics and reporting, combined with trusted expertise, to support claim validation and manage revenue post-launch	Present performance and compliance insights in dashboards for fast and easy access	Embed analytics in transaction and calculation processing systems to ensure access to up-to-date, accurate data and generate on-demand reports
Executive reporting	Inform initial go-to-market strategy, monitor launch progress and assess next steps	Evaluate short- and long-term strategies for business growth (IPO, acquisition, etc.)	Grow global market share, ensure long-term financial stability and identity investment opportunities

Ultimately, the hybrid approach allows pharmaceutical manufacturers to focus on growth and other key business strategies. Business services enable a shift from operational to strategic objectives, while enterprise technology empowers firms to spend less time managing manual business processes and more time exploring opportunities to generate revenue or cost savings.

Whether manufacturers are focused on new products, additional markets, new payer contracts, government programs, an IPO or M&A activity, a revenue management partner providing business services as well as enterprise technology is poised to support firms as they grow. The combination of business process automation; centralized revenue data management; continuous adjustment of pricing, rebate, and chargeback models; and real-time updates to regulatory policies can position manufacturers for more informed decision-making – removing the risk from strategic planning and supporting commercialization at every stage of growth.

HOW MODEL N DELIVERS BUSINESS SERVICES AND ENTERPRISE TECHNOLOGY

Pharmaceutical manufacturers can no longer consider business services and enterprise software for revenue management as separate investments. Both are critical to achieving long-term growth in a competitive market. Leveraging both in tandem provides greater insight into financial performance, enables more informed development of business strategy, improves efficiency and catalyzes revenue growth – all while mitigating financial and operational risk.

Working with two (or more) revenue management partners brings valuable external expertise and automates inefficient manual processes. However, working with multiple partners also requires that firms adopt multiple technology stacks and sets of business processes. That creates data silos and parallel workflows – making improvements to productivity and accuracy harder to realize.

Model N has the people, processes, and technology capable of supporting both business services and enterprise technology across the six core areas of revenue management: government program participation, regulatory compliance, commercial contracting, financial management, data analysis, and decision support. Model N combines deep industry and process expertise and insight into rebates, contract, compliance, and price modeling with a revenue management platform that is scalable, end-to-end and purpose-built for pharma, allowing you to stay current in the wake of changing market and executive reporting. This makes Model N the ideal revenue management partner to meet the software and service needs of firms whether they are in the emerging, growing, or established stage of commercialization.