

Battling the Big Squeeze

How understanding demand and margin can improve brand performance

Defining the big squeeze

Brands everywhere are under pressure, as both demand and margin challenges converge. Symptoms of the big squeeze can be seen in reduced budgets, restricted and/or misallocated sales resources, incorrect financial accruals, investment uncertainty, and more missed forecasts than can easily be counted. Manufacturers across the industry, both large and small, struggle to diagnose and adjust to market and margin dynamics in time to be effective in developing and implementing mitigation strategies.

RESULTING CONSEQUENCES

<p>Continued year-over-year downward pressure on net sales</p>	<p>Reduction of selling, general, and administrative expenses</p>	<p>Inability to invest and innovate</p>	<p>Turnover of brand and market access teams</p>	<p>Shrinking of patient service budgets at the same time that per patient costs grow</p>	<p>Burdening of future launches with unrealistic sales targets</p>
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As the life sciences industry confronts today's unprecedented level of pressure, it is vital to recognize the most pressing demand and margin factors that impact brand performance and the routes that manufacturers can explore to help battle the big squeeze.

Demand factors

Restrictive formulary designs



Higher patient copays and deductibles



Declining patient value



Declining promotional effectiveness



Eroding market size



Margin factors

Contracting pressures and higher rebates



Higher copay offset costs



Changing public policy



340B revenue leakage



Shrinking pharmacy distribution networks



Net sales

Increased pressure on demand and margin factors are squeezing both top and bottom lines

Battling the big squeeze

With so many simultaneous, complex market forces at play, developing mitigation strategies can be difficult for even the most advanced and well-funded organizations. Many demand and margin forces are interrelated, where decisions made on one side of the ledger impact those on the other. It is therefore no surprise that so many are entangled in the big squeeze.

Addressing demand and margin pressures necessitates a holistic and detailed view of brand, market, and patient. The need for strategic execution, gross-to-net (GTN) precision, and flexibility increases as pressures continue to mount.

STRATEGIC EXECUTION

Not all prescriptions are created equal, and significant subnational variability exists. Knowing and growing where value is highest is one strategy that can be implemented without radically altering field force deployment, contracting, or patient acquisition/retention strategies. Three seemingly simplistic, but in reality, very complex, questions that can help drive discourse on strategic execution are:



An important underlying element to assess is demand efficiency and net patient value. The impact of payer restrictions and patient cost-sharing can dramatically impact market sizing and the ability for a patient to get on therapy. Examining how patient populations are impacted by these demand drivers, in combination with various margin drivers, can direct manufacturers to where value is highest.

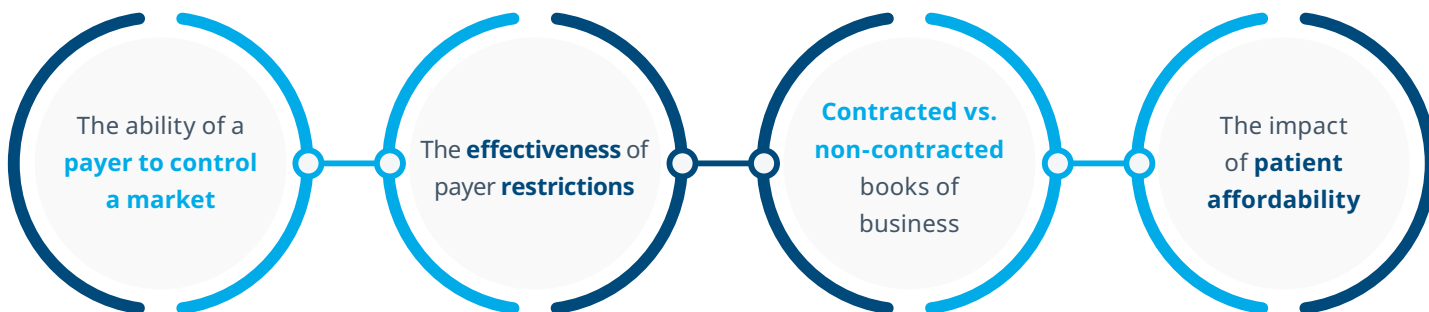
GTN PRECISION

Precision goes beyond accrual accuracy and extends into making optimal margin investments and decisions. Examples of this include:



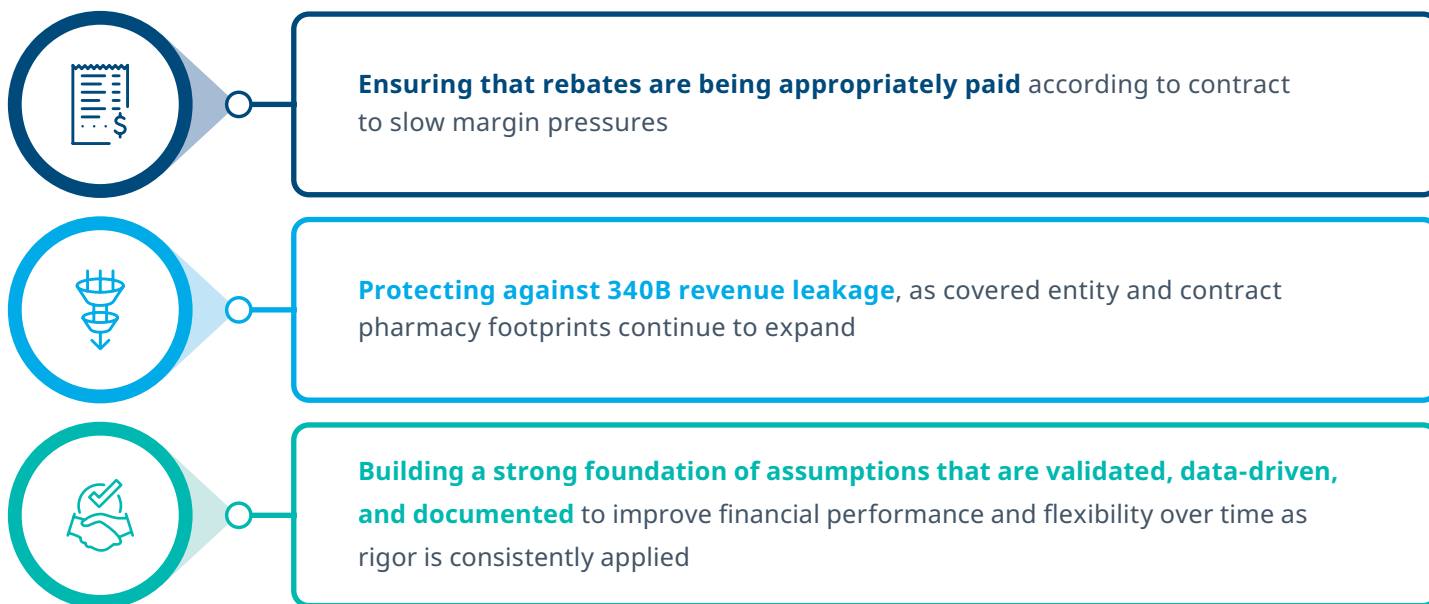
CONTRACT ANALYTICS AND REBATE VALIDATION

Contract analytics are performed by nearly all manufacturers, yet decision making is rarely validated with actual post-deal contract performance. Building stronger contract decision-making tools that examine the following are important, as they all impact contract value.



Building these stronger, more nuanced assumptions into contracting tools enables more detailed post-deal analytics, which will help continually improve decision making and protect margin over time. Pull-through efforts also become more actionable with improved tools as key performance metrics are established and ongoing utilization is monitored.

Prevention of unintentional revenue leakage is another area where manufacturers struggle that can be improved. Key challenges include:



PATIENT AFFORDABILITY PROGRAMS

Patient affordability programs are often the single largest line item in a product’s budget — particularly at launch. Therefore, manufacturers need to apply financial rigor to patient affordability programs and ensure that benefit designs are appropriately set so that product demand and access budgets can be optimized. Finding the “sweet spot” for a benefit design means that buy-down levels are neither too generous — unnecessarily inflating budgets, nor not generous enough — leaving both demand and revenue on the table.

With the rising prevalence of high-cost claims, however, the task of controlling inflated program costs becomes increasingly challenging. The costliest 1 percent of copay program volume on average accounts for 25 percent of program spend. In light of such dynamics, implementing systems such as active program management (Figure 1) and fraud and abuse controls are essential in helping to ensure that budgets do not balloon and that program integrity is preserved.

Figure 1: Active Program Management



ACTIVE PROGRAM MANAGEMENT INCLUDES:

- **Real-time** monitoring of important trends and key performance indicators (KPIs)
- **Linking evaluation of payer control** program impact to program redemptions
- **Strategic guidance** on investment opportunities and program deployment
- **Integrated reporting** on prescriber, patient, and payer trends
- **Patient customer relationship management (CRM)** enrollment and outreach
- **Prescriber trend** identification and messaging
- **Financial reporting and forecasting**
- **Integrated GTN strategies** utilizing many data sources
- **Program compliance reports** to ensure legal, financial, and regulatory alignment
- *And more...*

How IQVIA helps support you

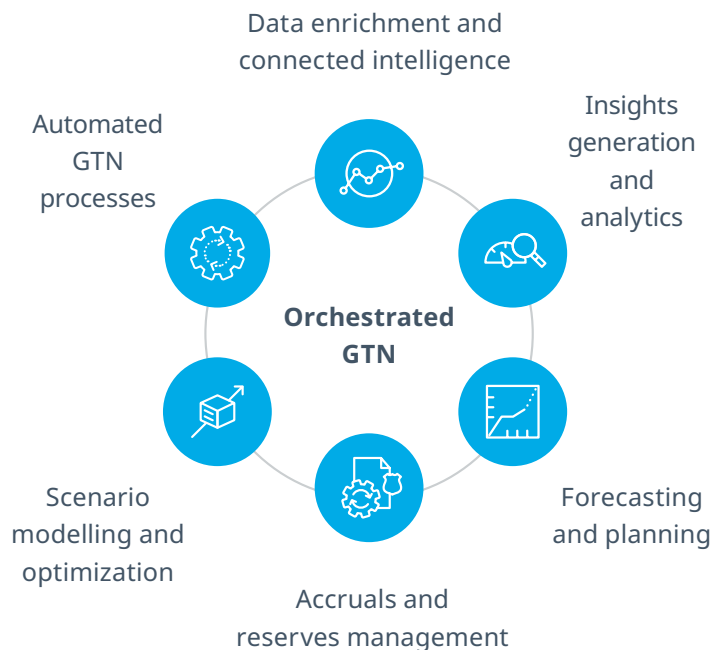
CONSULTING AND ANALYTICS

IQVIA's Consulting & Analytic Solutions division generates data-driven strategies and insights to empower effective, evidence-based decisions. IQVIA helps address the challenges of an evolving market.



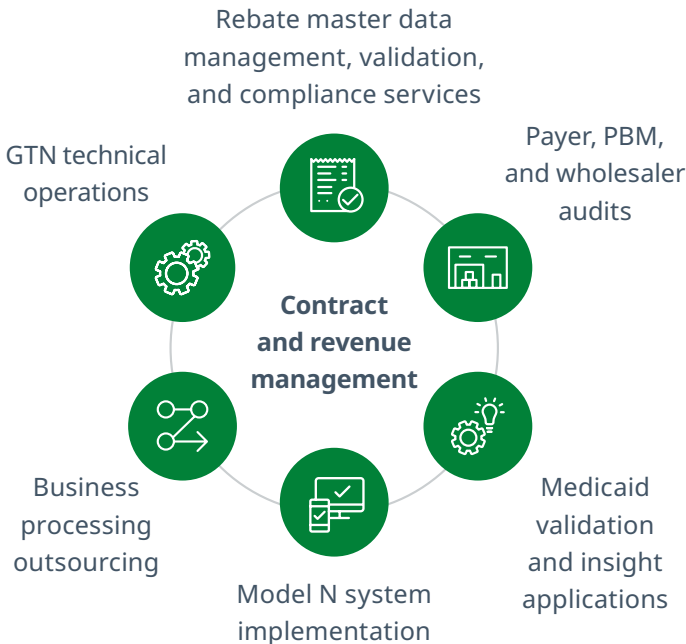
GTN PRECISION

IQVIA's Orchestrated Gross-to-Net provides a single integrated platform driving superior value through a connected intelligence ecosystem. GTN precision goes beyond accrual accuracy and extends into making optimal margin investments and decisions.



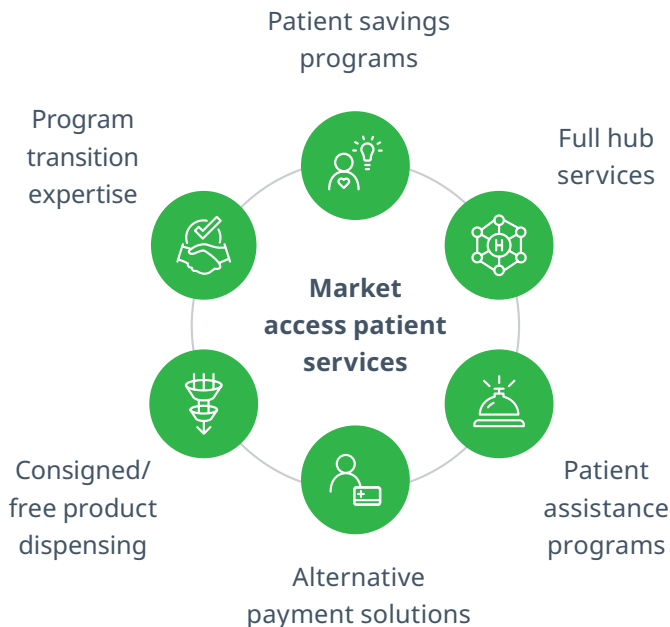
CONTRACT AND REVENUE MANAGEMENT

IQVIA's Contract & Revenue Management division brings a complete solution for operational contracting support. IQVIA helps clients improve margin through better operations.



PATIENT SERVICES

IQVIA's Market Access Patient Services division partners with clients across many dimensions to deliver best-in-class, patient-focused results. IQVIA's rich continuum of services helps patients overcome challenges in order to get on and stay on therapy.



Protect your demand and margin with IQVIA

The current pressures on demand and margin are growing and will continue to have impact on stakeholders across the industry. With IQVIA, you can gain a better understanding of the pressures at play, enabling you to apply the most up-to-date strategies to address them and protect your demand and margin.

To learn more about how IQVIA can help you tackle the big squeeze, contact us today.