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AGENDA 2015

A whole new ball game

The business of marketing pharmaceuticals today would be almost unrecognizable to a visitor from five years ago; the industry's fate hangs on how industry leaders respond to all this change.

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To an industry insider who magically fell asleep in 2010 and woke up as the ball dropped in Times Square to ring in 2015, the pharmaceutical industry might be nearly unrecognizable. Five years ago the Affordable Care Act had just been passed and signed by the president; today its consequences have flowed out in all directions, transforming the way healthcare is provided and paid for. Five years ago mobile web was just catching on; today it accounts for more than 60 percent of web traffic. The pharmaceutical executive of five years ago would be overwhelmed by all the new audiences, new decision makers, new expectations, new media, new data and sources of information of today; even for those of us who have not been napping for the past five years, it can all be a little overwhelming. For this year's Agenda overview, *Med Ad News* spoke with a long list of industry insiders, the people who have to deal with this sort of tranformational change every day. Here are the trends that they told us would be most important for pharma marketers in 2015.

The changing marketplace

Topping the list of crucial developments for pharma marketers in 2015 is the continuing transition in how health services are provided and paid for. Today's brand manager is faced with a bewildering array of acronyms – the Accountable Care Organization (ACO) and the Integrated Delivery Network (IDN) are the two most prominent of many – and each of these has its own unique decision making processes and value definitions. Pharma companies are having to learn on the fly how to deal with all these new decision makers, a process that is causing perhaps the largest single shift in selling strategy in the entire history of the industry.

From the perspective of the healthcare consultants at PwC, the changes wrought in the marketplace by ACA and the rise of new provider and payer entities will drive nothing less than a change in the real meaning of value for pharmaceutical companies and their constituencies, leading to a greater focus on real outcomes accompanied by real data.

"The shift of risk in selection and payment for therapeutic treatment to various provider entities introduces new variables that the pharmaceutical product industry will need to orient towards, namely quality and total cost of care," says Warren Skea, principal, PwC. "No longer will pharmaceutical product companies' strategy that focuses on physician directed therapy based on their clinical knowledge and payors processing claims based on their approved cost of treatment analysis, define and determine their success."

Nothing less than a new definition of value through outcomes-based evidence that proves such value is what stands between success and failure for pharma companies now, Skea suggests. The very definition of payer has begun to radically shift to a variety of new models that are both consolidating and adopting risk for cost (bundles, capitation) and care (quality, outcomes), to say nothing of employers and consumers who are the primary funding sources. And this shift is driving a corresponding change in payer expectations.

"The payer as provider is looking for materially different shifts in clinical quality impact and the total cost of care, both upstream and downstream, as related to any product therapy," Skea says. "Providers also want to know which patient cohorts will receive the greatest impact from the day a therapy is authorized, not after months or years. Determining the holistic, incremental, and/or avoidable costs of care, across a broad range of actual operating costs incurred by delivery systems outweighs the incremental discount that typifies the current state."

So outcome study proof and the documentation of cost and quality differences is going to have to take place in the laboratory of every day clinical delivery where the variables of real life impact therapeutic performance. "The validity of value measured is best spoken for by provider industry leaders that have the trust and stature of peers across their community," Skea says. "This has become necessary to avoid the skepticism that can often accompany product company-led studies.

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This shift to provider system definitions for outcome value has put a premium upon the product industry's need to abandon the vertically integrated model that was committed to a pre-determined value definition over to a highly collaborative outcome model that is intent upon discovering value as an ongoing journey. In this way product companies can more responsibly convert to risk based contract agreements where outcomes and the data to support them can be trusted and operationalized across the provider community."

In addition to the consolidation of provider networks into ACO/IDN models and rollout of the federal and state-level exchanges, experiments with outcomes-based reimbursement and the muscle-flexing of the leading pharmacy benefits managers to negotiate exclusive deals with pharma is continuing to put general downward pressure on healthcare costs. This, says CEO David Ormesher of closerlook inc., presents both challenges and opportunities for pharma to assert its role and value.

"At this point, most pharma companies continue to play the role of vendor," Ormesher told *Med Ad News*. "Most contracts are priced on volume-discounts, not on outcomes or value. In an environment that is aligned around cost-reduction and fee-for-value, winning on price leads directly to commoditization. For brands that are competing with an effective generic, there are fewer options to avoid this margin squeeze, but for many, the path forward looks like a business partner model. As healthcare in the United States moves away from fee-for-service, pharma will need to move towards more partnership approaches to disease prevention, management and cure."

Taking a similar position, Patrick Jordan, chief administrative officer of Encore, a Quintiles company, believes that the shift in the marketplace commands a different operating model among indi-

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