

PROVING VALUE IN UNCERTAIN TIMES



Jeff Smith

Industry needs to be perceived as a contributor to healthcare solutions not just a cost

In *A Guide to Investing in the Apocalypse*, the authors suggest an over-arching goal for successful investment in a depressed economy as an 'ability to see opportunity where others see peril'. Perhaps the same charge could be a fitting challenge for pharma as the market for pharmaceuticals is potentially more perilous than ever.

The preponderance of supply-side and demand-side controls coupled with significant budget reduction across most health economies is seriously challenging the sustainability of pharma business models and product innovation. Additional pressure is being exerted in many EU markets with the introduction of new, additional barriers to access, whether it's the idea of value-based pricing in the UK or officially sanctioned generics prescribing targets in markets such as Spain, the Netherlands and Portugal.

And, many industry insiders believe it is going to get worse. Ratings agency Fitch recently issued a negative outlook for the pharmaceutical sector citing 'increasing government cost-containment and demand pressures' as one of the key contributing reasons for this view.

To survive, companies need to accept that payers are now in many instances the real standard bearers for product or service uptake. This requires improved organisational alignment around the notion of real world value, and where possible, commitment to change the nature of direct payer engagement.

Aligning on value

Market access is still too often seen as the owned territory of a select few. In fact, it should be an organisation-wide remit where all members of a brand team have some responsibility for driving the fundamental value proposition of a brand or service across diverse stakeholder groups. As such, the practice of driving market access is not just limited to health outcomes data and direct payer-focused activities. It is as applicable to public relations as it is to health outcomes and marketing.

The challenge is to ensure a market environment where multiple stakeholder groups demand access to treatment in a concerted way. This requires early, integrated planning of aligned, supportable value messages beyond RCT data across pharma disciplines. Most people agree this in theory, but the disciplinary silos that still exist within pharma mean that in reality this seldom occurs until an HTA milestone ... at which

point it is often too little, too late. The structure of an inclusive and optimally effective market access strategy should be one of integration and audience-selective, pro-active communications across the product life cycle.

Improving engagement

Improving planning and alignment aside, there is also scope for improvement of the nature of direct engagement with payers. Pharma does well to equip business-to-business professionals with an array of clinical evidence, but we now know that this evidence is not particularly well suited to support payer negotiations. And to make matters worse far too often the B2B teams have poor understanding of payer expectations, arguments and value assessment criteria.

In many instances, the negotiation teams comprise individuals originally from product sales teams, which makes them well suited for physician detailing but not particularly trained for complex payer discussions. To be successful in convincing payers to invest in a brand or service, an improved training curriculum and indeed more specialised skills are required to convince payers to recognise value. Simply put, pharma needs to move away from an outmoded model of selling, which is still too similar to physician detailing.

What is the win-win?

Warren Buffet, long a proponent of value-based investing, looks for 'outstanding companies at a sensible price' to provide the best possible long-term investment. Achieving a similar mindset among investors in health will require a shift in the way pharmaceutical companies operate. To be effective, we need to work with healthcare systems and be perceived as contributors to healthcare solutions rather than just cost.

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