Key Trends in Global Launch

The pharmaceutical industry continues to face a multitude of changes that have the potential to directly impact launch strategy. From more recent tangible trends like a rise in cost-containment policies, to ongoing net price transparency forces and a focus on health equity, the potential to make mistakes during launch is growing.

Reasons for traditional launch sequencing include market size, opportunity and accessibility, previous launch experiences, connections and market knowledge, and default or habitual launch sequencing approaches.

However, the following trends are impacting traditional approaches to launch – and giving an opportunity for pharmaceutical companies to rethink market prioritization and launch.

Executive Summary

The EVERSANA Global Pricing & Market Access team identified five key trends to focus on for launches in their May 2023 pricing innovation conference.

Each of these trends and impacts are examined in more detail below.

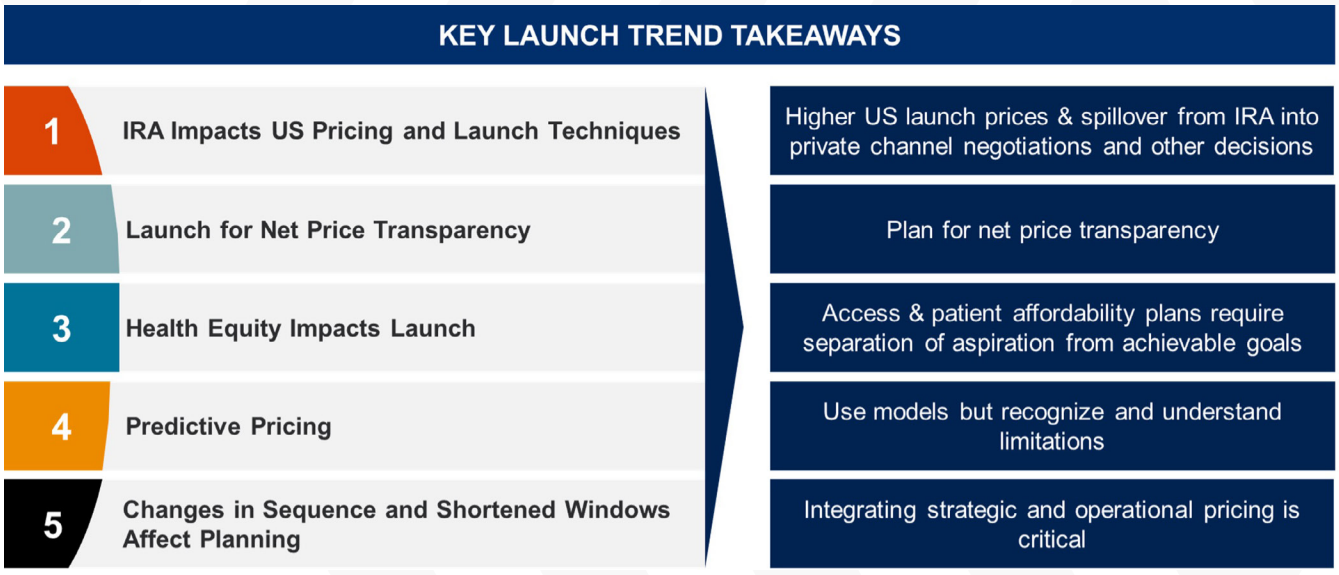

Figure 1: Executive Summary

TREND 1 IRA Impacts U.S. Pricing and Launch Techniques

On August 16, 2022, U.S. President Joe Biden signed the Inflation Reduction Act (IRA) into law. While several pharmaceutical companies have filed lawsuits over the past several months to overturn or block the implementation of the IRA's Medicare Drug Price Negotiation Program, the program will continue on its implementation path for now.

The negotiation program is specifically designed to constrain price increases in the U.S., which means price increases are more limited. Additionally, under the IRA, the price-setting mechanism now begins at nine years for eligible small molecule drugs, for the most part regardless of patents or exclusivity. This puts further pressure on optimizing revenue with a higher launch price in free price markets.

This impact can lead to higher launch prices, which will lead to higher payer pressure. In turn, higher launch price demands create a need for greater analytic support to segment payers and accurately identify the correct discount and contract strategies.

Firms launching products under IRA need to understand the impacts on indication sequencing and duration of the product life cycle, the initial (potentially higher) launch price, the spillover from negotiated government channels into private channels, and the impact of higher launch prices on price differential with the rest of the world. Greater analytic rigor is required to price launch successfully.

TREND 2 Launch for Net Price Transparency

Net price transparency forces are quieter than they have been, but they have not gone away. Companies need to think carefully about product adoption and launch sequence in the face of increasing net price transparency. The order in which a product is launched needs to be considered cautiously to make sure that if the prices are divulged, they do not destroy value in other markets.

The long simmering case between Novartis and Civio in Spain is an example, with Spain's Administrative Court Number 4 rejecting Novartis' appeal to keep Zolgensma terms confidential.[1]

Net Price Framework

A firm can assign a different net price floor (and target) by market based on multiple factors, such as the list below, which is by no means an exhaustive list:

- **Size** (Population, # of patients)
- **Contribution to Economy**, e.g., firm presence in market
- **Ability to Pay / Willingness to Pay**
- **Cost of Access,** e.g., one-time regulatory fees, etc.
- **Speed of Access**
- **Efficiency of Business**, e.g., ongoing cost of distribution
- **Tax and Regulatory Cost Burden**

This provides a fact-based set of reasons for having or allowing different net prices in different markets that hold up to transparency, e.g., *"Country X, your price is higher than Country Y because of size, tax burden and slow access. If you granted us faster access and eased the tax burden, you would have the same price as market Y."*

While exhaustively creating and managing such criteria can be viewed as challenging or a burden, it does not need to be perfect to mitigate net price transparency. The act of working out these ranges per market can provide sufficient discipline to manage disclosure and (re)negotiation risk.

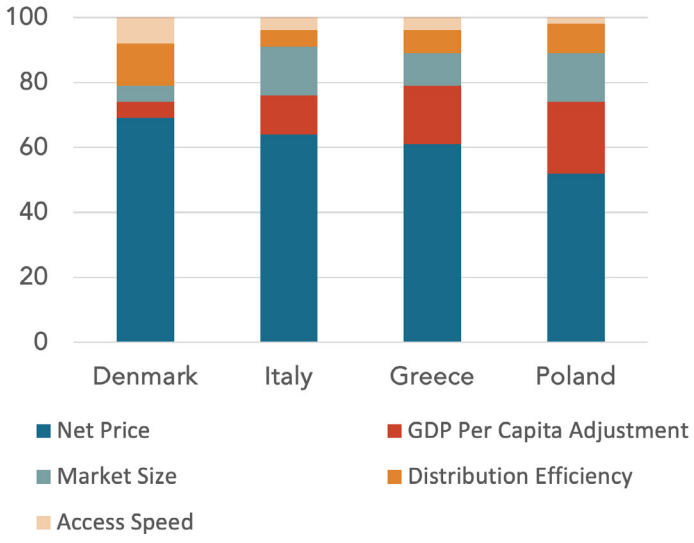

Figure 2: Illustrative Example of Allowable Net Floors Driven by Specific Attributes

Net Price Transparency Risk Framework

One key to managing risk is to have an accurate framework to capture the shifts in the market. While a properly designed framework or guideline will withstand the scrutiny of transparency, firms must critically understand where price transparency risk is coming from.

Below is an example framework EVERSANA uses to track and manage net price policy change risk:

	Type of Transparency				Pathway & Probability			
Transparency Attribute	Price	Outcomes	Other	Retroactive?	Status	Trend	Probability	Pathway
Country	Yes or No	Yes or No	Yes or No	Yes or No	Proposed In-Process Adopted In-Force Defeated	↑ or ↓	% (0% to 100%)	Legislation Litigation Regulation
Example								
Spain	Yes	Yes	No	Yes	In-Process	↑	50%	Litigation

Figure 3: Example of Net Transparency Types and Specific Attributes [4]

Net price transparency needs to be understood, not feared. Price transparency does not require a single net price but the ability to defend a net price as based on objective factors, such as contribution to the economy, ability to pay, and speed and cost of access, among other considerations. Companies need to assess a defensible net pricing discount model based on country attributes while completing preliminary pricing research and use these factors to construct a discount model. However, always be prepared to "walk away" if alignment is not found.

The greatest risk of net price transparency typically occurs in existing deals negotiated without plans for price transparency. The pressure created by transparency is not new to the life sciences industry; the practice of tendering has pressured pricing in many transparent markets for a while now.

TREND 3

Health Equity Impacts Launch

Health equity, along with disparate outcomes and fairness, are increasingly becoming part of the conversation among broader stakeholders such as governments, patient groups, payers, and even in the media. These conversations, commonly held by C-level executives, can reflect multiple objectives that need alignment.

Three examples of health equity that executives may pursue that can impact launch are:

- Differential pricing
- Patient affordability
- Pricing for access and uptake

Differential Pricing - Pricing based on a market's perceived ability to pay – to create 'fairness' in pricing across markets – runs into numerous well-known issues in execution, e.g., price referencing may not cooperate or the gaps in per capita income (or other differential pricing drivers) mean a non-linear pricing model is required. Several factors can make differential pricing challenging, such as exports from low-price to high-price markets and misalignment in countries' reference pricing. Ultimately, differential pricing is similar to net price transparency planning, in that a pricing policy needs consistent execution to avoid issues. Because price regulations can make this hard to achieve,

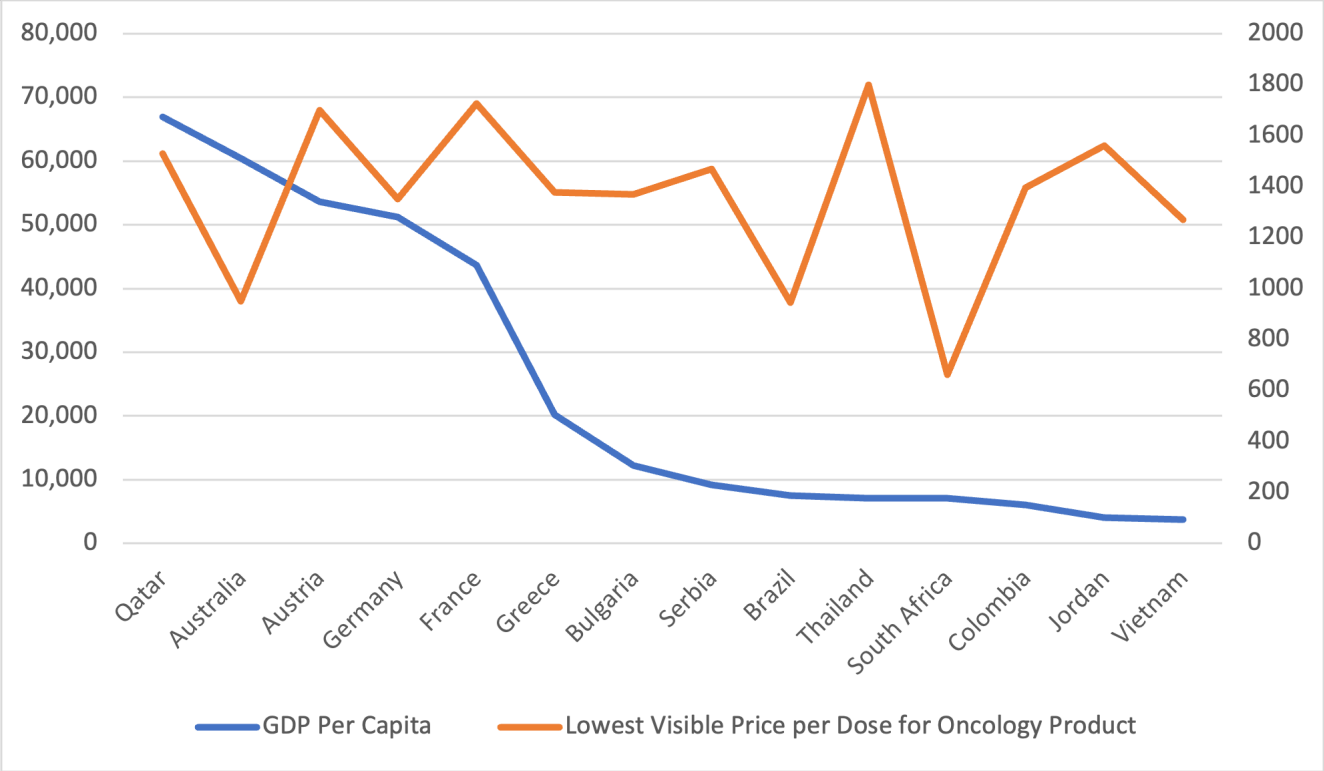

Figure 4: Example of Differential Pricing Challenge [2,3]

differential pricing is better cast as either "aspirational" or as "an input into overall pricing strategy" but not a sole determinant.

The graph below shows the complexity of executing differential pricing: is ability to pay based on GDP per capita? PPP per capita? In which markets is the price shown representative of private market vs. public reimbursement?

Patient Affordability - Not all markets have a very high percentage of consistent reimbursement by a central government. Both developed markets like the U.S. and emerging markets like India, South Africa and others have significant co-pay, co-insurance or out-of-pocket payments from different tiers of private insurance for large patient populations. Firms putting "patient affordability" as a priority must consider how to optimize decisions for access for patients when maximum return on patient affordability is not the goal, e.g., a firm might be okay with a 1% drop in contribution margin for a 30% gain in patient population. Teams must understand what kind of market archetype a market represents and how the launch plan and the market archetype will impact each other.

Pricing For Access & Uptake

Firms may discount for payers in order to speed access to a product or to increase availability of a product to patients. In time for access, a firm

Example:

Country	Patient Price Sensitivity	Comment
UK	Low	Products largely have a fixed dispensing fee of around 10 GBP regardless of payer cost – free to patients who are eligible for assistance
United States	Medium	Payers influence behavior by changing the patient co-pay based on preference for certain drugs
India	High	Mix of high out-of-pocket requirements for patients and/or capped benefit health policies (both in amount covered and what is covered)

discounts to shorten the negotiation period (e.g. 5% discount for removing 6 more months of protracted discounting, which gets it into market faster).

In availability, the discount is increasing the patient population (e.g., removing a patient population restriction that may mean a specific test, treatment criteria, disease severity or other exclusion criteria). A firm may provide an extra discount to make a drug cost effective in an earlier line of therapy or to remove a step edit or prior authorization (in the US), which means the individual patient's path to treatment is faster and the patient population is larger.

However, it is critical for both private and government payer negotiations that firms understand:

- Is the market one in which the discount actually achieves the desired outcome – or simply yield funding to the payer with no benefit? *e.g., many discounts do not actually increase volume.*

- Will the entirety of the planned discount be allocated to the payer or government, moving funding away from assisting the patient? *e.g., when planning discounts, incentives must consider equity for all stakeholders, e.g., a confidential discount in the US does nothing to assist a patient still facing the same co-pay.*

As such, indiscriminate discounting can be viewed as inefficient to equity goals. Given that discounting amounts are finite and vary based on how those discounts move volumes, improper discounting potentially deprives funding to other areas like patient affordability programs.

Firms must have a solid model of market archetypes, understanding which are price elastic markets, like China where large NRDL discounts typically are accompanied by large shifts in volume, vs. potentially price inelastic markets like the National Institute for Health and Care Excellence (NICE), where very staggered or binary inflection points are achieved based on evidence and pricing around cost-effectiveness models to achieve reimbursement and further discounts may not appear to move volume at all.

In a worst-case situation, a firm could aggressively discount in a developed market for volume that doesn't materialize and have a difficult comparison between developed and developing markets in terms of pricing and access.

Launch Pricing for Health Equity and Access

Ultimately, successfully managing a launch while addressing health equity means addressing pricing models, understanding patient affordability, and having a good model for market archetypes that respond differently to different types of health equity approaches.

Firms should be cautious about touting achieving health equity versus aspiring to it while acknowledging the challenges.

Predictive Pricing

The advent of predictive analytics has the potential to change the way pharmaceutical companies use information to make pricing decisions for new drugs. However, the key with these tools is to use them to support analysis, not replace analyst decisions. There are a variety of predictive models that can be used pre-launch and during launch, but each comes with its own unique set of risks.

During early-stage evaluation, price prediction has the potential to give bad answers, as a lack of net pricing information is a challenge to predicting accurate outcomes. Further along the line, during health technology assessment (HTA), predictive analysis gives mixed results in terms of accuracy as it is hard to achieve without visibility to confidential negotiations. The interesting prediction goal is net price, not list price – but list price is often the only visible price, distorting the accuracy of predictions in high gross-to-net products and high gross-to-net markets. Additionally, prediction of outcomes requires data to be structured and scored such as safety, burden of disease, evidence, and more – all of which run the risk of introducing value/scoring bias or subjective errors in the model.

This also means that predictive pricing is easier in areas with low gross-to-net or net visibility, e.g., certain medical benefit or physician administered products in the U.S., certain competitive categories where comparators and many well-established products effectively constrain pricing. Another area

where prediction can have high accuracy and utility is post initial market launch, when several markets have launched and thus a high(er) degree of price accuracy can be predicted across subsequent markets.

Firms can derive value from predictive analytics in supporting rapid pricing insights but must be aware of where the models have shortfalls and use these tools wisely.

TREND 5 Changes in Sequence and Shortened Windows Affect Planning

Companies are reevaluating their product launch sequence to respond to changes at a global level. Traditionally, launches have been built around a wave of markets, with an established way of thinking about them.

The waves are no longer going to represent the traditional geographic notion. The way manufacturers think about sequencing is going to need to change. It will also require a change in how companies think about partnering, particularly for emerging companies that are yet to establish affiliates in these markets. All this collectively puts a greater burden on the price and access functions when it comes to launching products on a global basis.

Launches will be flatter, meaning manufacturers will need to enter more markets at the same time versus sequentially.

Examples of launch flattening come from nontraditional blocs, such as Australia-Canada-Singapore-Switzerland Consortium (ACSS), to approve pharmaceuticals. These blocs upend traditional launch sequencing for both new indications and new products. There are also increasing instances of small countries, such as the United Arab Emirates (UAE), approving pharmaceuticals ahead of big countries, but this can add risk in terms of price referencing and signaling.

Not only can launches be flattened, they may be accelerated – a requirement to take advantage of reduced windows in market. In countries like China, the risk of a late launch means potentially facing an established competitor with significant share, something the industry did not face in many of these markets previously.

Why might launches accelerate?

1. Less time on market, as exclusivity periods shorten or are under more pressure.
2. Potential for more in-line pressure on incremental innovation, whether therapeutic class "bidding" or "tendering" or other forms of pressure that reward being in more markets earlier and faster.
3. Innovation from China can mean an increase in "me-too" competition but also pressure in one of the largest pharmaceutical markets in the world, China itself.

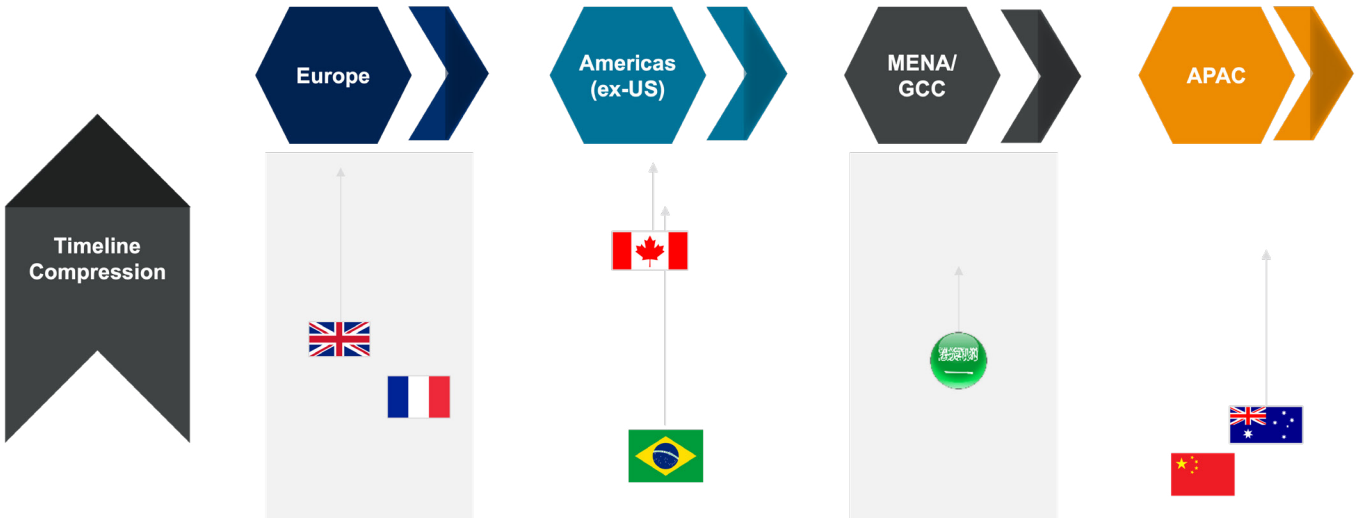

Figure 5: Accelerating Launches

Overall, launch sequence is shifting and faster access is required, particularly at a time when product life cycle windows are shortening. Just looking at the third example, China longer-term not only could challenge certain markets, including Japan, as a priority market, but is becoming a source of innovation as well, which makes it a first launch country and causes pressure in more markets faster than in the past.

The potential to make a mistake is increasing. Strategic teams are more likely than ever to miss quick policy landscape changes or omit incorporating international reference price (IRP) risks from a fast launch.

For example, if a company is looking to launch in the Asia-Pacific (APAC) or Cooperation Council for the Arab States of the Gulf (GCC) ahead of Europe, the risk increases because European prices are subject to greater scrutiny; global cross-referencing happens earlier in launch. Further, country policies can change during launch, so developing an outstanding monitoring plan and rapid response to changing conditions is important.

As such, strategic pricing and operational pricing needs to be integrated. In a new model combining the two, strategic pricing would still oversee payer research and product value testing, while creating list and net price corridors. However, it would be fully integrated with operational pricing, which would validate operational risks, model any policy changes on the horizon, and manage pricing scenarios. This would create the potential to optimize in-line price decisions, and continually work with strategic pricing for impacts on pipeline expansion indications and portfolio impacts.

All these trends also increase the complexity and speed of decision making, creating higher risk of a suboptimal launch price decision that cascades. The best way to mitigate this risk is integration of strategic and operational pricing with consistent monitoring of risk.

Summary

Firms need to evolve launch pricing processes to incorporate all five key trends. All these trends are creeping into launch processes in an ad-hoc way already Firms will make better decisions by explicitly incorporating thinking around these trends and optimally addressing each trend.

Footnotes:

[1] NAVLIN Daily News, September 29, 2023, article https://data.navlin.com/alspc/#!/homepage/article/19101

[2] NAVLIN Pricing Database for lowest visible list price for randomly selected oncology product and select markets. Example meant only to be illustrative, and not imply any specific differential pricing goal for selected product.

[3] Sources for GDP per Capita in USD include World Bank data, 2021/2022

[4] Spain is meant to be an illustrative example drawn from Civio litigation, but not strictly accurate or representative of the current state of that litigation, nor a commentary on the merits of the case.