



Foundations of Global Pricing Governance

The importance of managing direct and indirect pricing in a holistic manner

As the complexity of investments needed to secure patient access to therapy increases, so does the impact of these investments on a company's net revenue. Each decision needs scrutiny, not only on its own merits and how it can affect patient access and affordability, but also to understand how one price change or contract proposal can have a cascading effect on the network that ultimately determines a company's gross-to-net exposure. Furthermore, once a decision is made, ongoing diligence is required to ensure the price is accurately reflected in the market and that any contract terms associated with that concession are monitored for compliance. In many markets, these decisions are subject to statutory reporting requirements, including the complex calculations required to comply with CMS and VA programs in the United States, and the growing web of State Drug Price Transparency regulation.

Many companies encounter difficulties in realizing the full potential of their products due to the fragmented approach to these challenges that is common in the

industry today. Responsibilities are frequently spread across multiple departments, either by geography or market channel, and these departments do not always communicate effectively. In addition, data is spread across a variety of systems, and the outputs of one phase of the process are ignored when executing an adjacent phase. In these systems, the data is often reduced to only those elements critical to that specific phase, limiting the value it can provide in understanding the holistic impact of these decisions.

To combat this fragmentation and maximize both access and value, there are six primary activities that must be done not only with industry-leading best practices, but with deep coordination between the departments impacted by these activities. Each activity has importance in all phases of a product's lifecycle and within every market, albeit with nuances that may require variations of a core standard approach depending on the product, market, and geography in question.

RESEARCH

Fundamentally, establishing a price within a market needs to start with a deep understanding of the specific role in treating the disease state, accompanied by an equally thorough examination of the various stakeholders in each market. This is best accomplished by blending the insights available from subscription-based research and data sources with custom research designed to pinpoint the expected market and stakeholder reactions to pricing directions under consideration. A combined approach such as this can lead to a refined pricing strategy with specifically tailored strategies that respond to the needs of each unique set of stakeholders.



MODELING

With an understanding of targeted pricing in each market and stakeholder group, it is then important to develop models to illustrate how these different price points will interact. This includes launch sequence models to account for reference pricing, affordability models to show the impact of co-pay support programs on overall demand and gross-to-net liabilities, and proforma government calculations to illustrate how pricing decisions can impact future inflation-related liabilities and reimbursement dynamics for buy-and-bill products.



FORECASTING

Each pricing decision made, regardless of stage of the product lifecycle, represents a trade-off; concessions to stakeholders in the market are designed to generate value through offsetting increases in volume via the access these stakeholders control. To properly manage the financial dynamics of these programs, detailed forecasts are necessary to plan the liabilities associated with these concessions, as well as track key indicators that will show if the strategies are having the expected impact in the market.



EXECUTION

Given the complex web of agencies and stakeholders, the task of simply making the price known in the market can often represent a significant challenge. When coordinating pricing action across markets, detailed governance processes are required to ensure the reference pricing impacts are understood. This comes into play when responding to bids and tenders in these markets, as the requested concessions can often have far-reaching effects. In addition, for commercial markets it is critical to manage the entire contract lifecycle to keep track of the various concessions and commitments, as well as critical time windows for renewals, price escalations, and other key dates.



ADJUDICATION

Once pricing actions are taken and executed in the market, in many ways the challenges are just beginning. Especially in the complex market in the United States, contracts bring with them a vast quantity of transaction data that needs to be evaluated to determine if all stakeholders are complying with key terms of the contract. This analysis helps mitigate the problem of revenue leakage that would otherwise frequently occur when different stakeholders claim the same prescription for their rebates, or when the multiple layers of stakeholders involved result in the corruption or miscommunication of data between the prescription fill and the rebate invoice.



EVALUATION

While every sound pricing decision starts with a well-conceived strategy, model, and forecast, the results can often be drastically different once realities of the market come into play. For this reason, perhaps the most critical phase of the entire process is this final phase, the review of all data to see how performance compared to expectations. It is through this step that the entire process starts again, as these profitability analytics will inform any necessary changes in strategy, refine the models that were developed, and adjust the forecasts accordingly.



To help companies enhance, optimize, and integrate these capabilities, EVERSANA offers a comprehensive solution set that spans the entire product lifecycle. With a foundation of subscription-based, industry-leading proprietary research and data sets, we also deliver seasoned expertise through custom research and consulting engagements that are tailored to your specific business challenges. NAVLIN by EVERSANA®, a single, integrated platform that combines data, software, and insights to answer your most challenging price and access questions is supported by EVERSANA's Business Process Operations services, removing all burdens of data management and transaction processing from your workflow, allowing you to focus on the strategic implications of these decisions and processes.

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