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# Specialty Pharmacy

Stephen Lagano



# Session Objectives

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- Specialty Markets Overview
- Frame the specialty channel from a user perspective
- Identify potential channel management opportunities



# Specialty Markets Overview

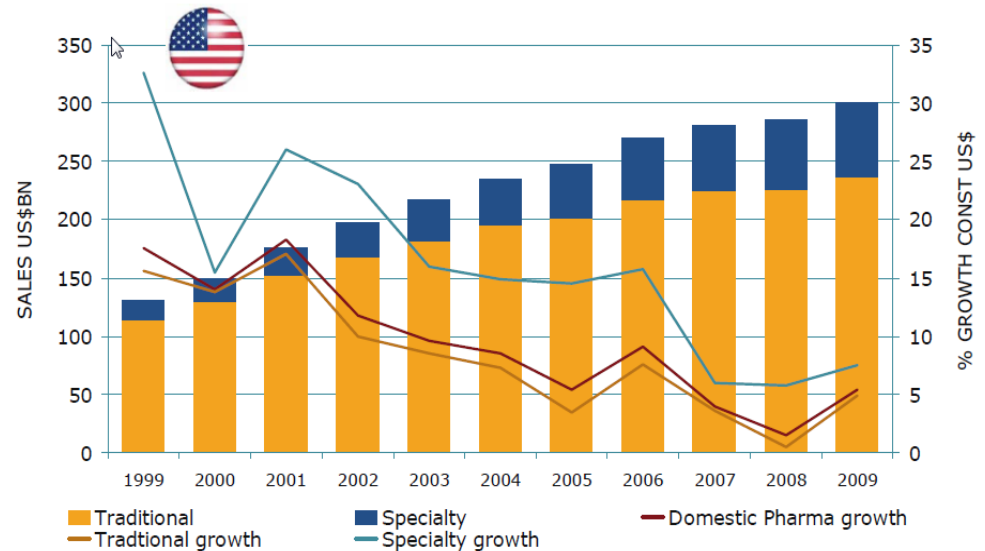


# Specialty Channel Is Growing In Volume

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## ★ Growth is being driven by:

- ❖ Pipeline: 140 – 150 bio-compounds in phase III
- ❖ Specialty products globally: >\$160B by 2013
- ❖ Growth in specialty drugs has been twice that of traditional growth over the past decade

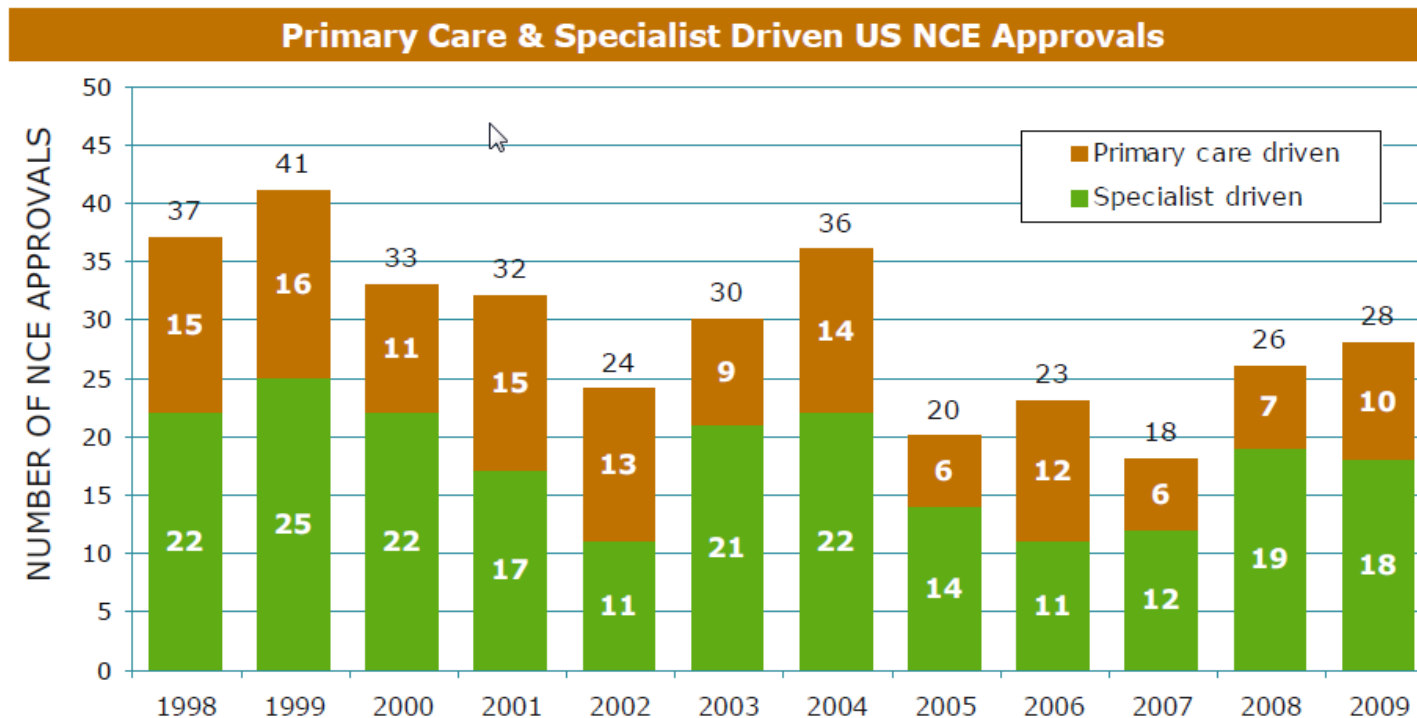


Source: IMS MIDAS, IMS Specialty Pharmaceuticals project, Dec 2009

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# NCE Approvals Have Increasingly Been In The Specialty Products



Source: FDA, IMS Health, Market Insights Team Analysis, Jan 2010



# Specialty Pharmacy Channel Has Become Of Critical Importance To Stakeholders

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- ★ In addition to the new drugs and increase in volume other drivers have become relevant:
  - Specialty channel is well suited to assist in the management of the **REMs** programs
  - **Manufactures** are leveraging the channel to increase their product's value proposition (e.g. increase C&P) and more closely manage distribution (e.g. limited/restricted distribution models, returns, etc.)
  - **Managed Care** is using the channel to manage patient care, drug utilization and control costs



# Channel “Challenges” or “Opportunities”



# Product Utilization And Distribution Channels Are Interdependent

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- ★ Product utilization in both the retail and specialty channels concurrently can complicate channel management efforts
  - This is exacerbated by the high cost of the drug, special distribution requirements (e.g. cold chain) and drug setting requirements.
- ★ Contracting and/or data availability can influence the ability to assess product and channel performance (e.g. demand, inventory, returns, etc.)



# Case Study – Channel Management



# What is Channel Management?

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- ★ Channel management can mean different things to different people
- ★ **Definition** (Source: BNET):
  - *“the organization of the ways in which companies reach and satisfy their customers. Channel management involves more than just distribution, and has been described as management of how and where a product is used and of how the customer and the product interact. Channel management covers processes for identifying key customers, communicating with them, and continuing to create value after the first contact”*
- ★ **Translation:** The proactive management of product flow, revenue, data and information for a product portfolio



# Case Study – Channel Management



**Background:** Pharmaceutical Manufacturer has a presence in both the retail and specialty markets. Total revenue = \$1B. Product is being distributed through wholesalers, specialty distributors and specialty pharmacies directly.

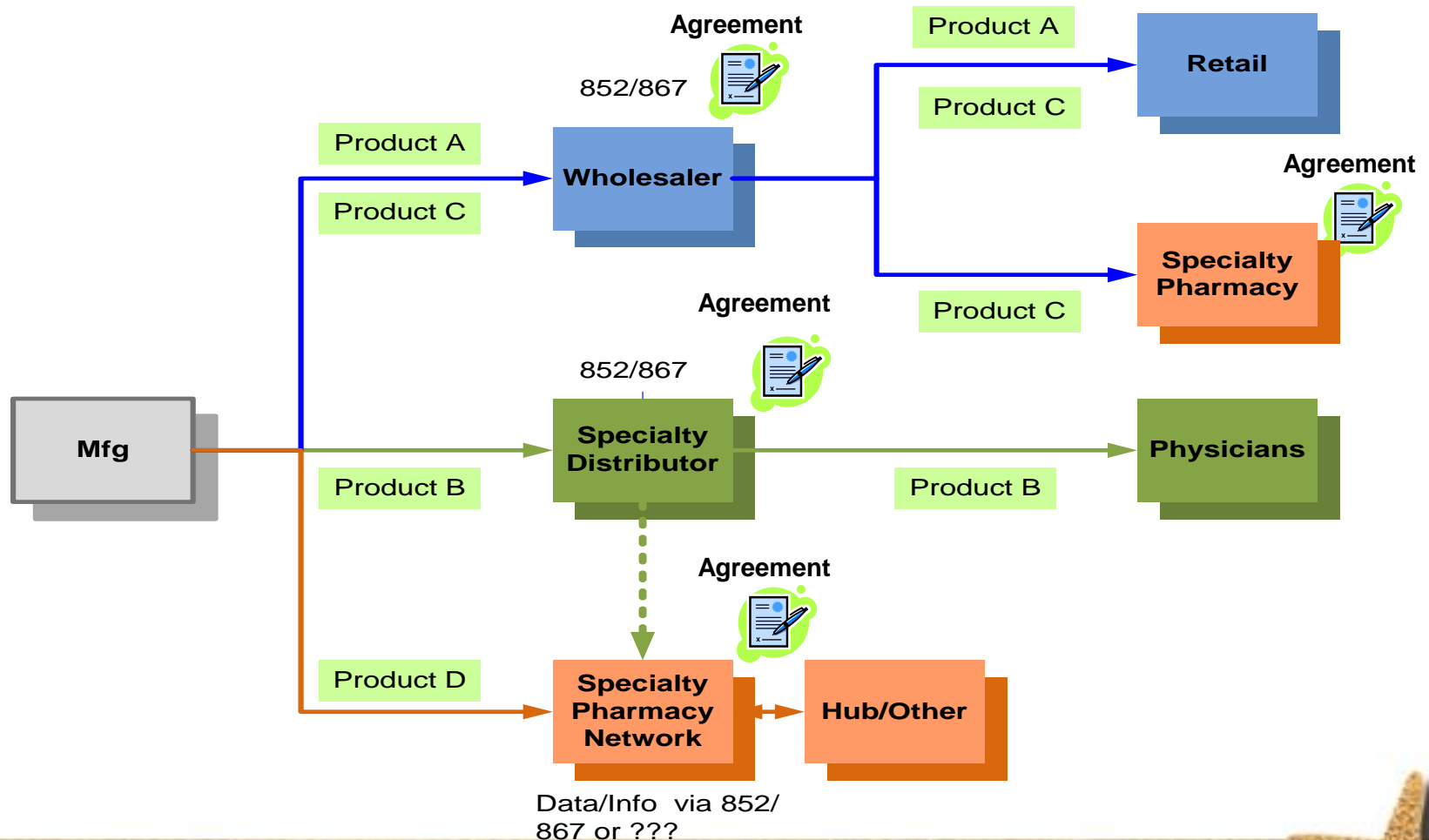
Portfolio overview is indicated below:

Product Portfolio Characteristics				
Descriptions	Product A	Product B	Product C	Product D
Product Type	Retail	Specialty Distributor	Retail/Specialty Pharmacy	Specialty Pharmacy
Channel Mix (Retail/Specialty)	100%	100%	50%/50%	100%
Revenue (M)	\$300	\$200	\$150/\$150	\$200
Portfolio Revenue %	30%	20%	15%/15%	20%
Channel Mix (\$)	Revenue Mix			
Retail	45%	Product A	30%	
Specialty Pharmacy	35%	Product B	20%	
Specialty Distributor	20%	Product C	30%	
		Product D	20%	



# Product Channel Flows Can Add A Layer Of Complexity to Channel Management

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# Case Study – Impact Analysis

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- ★ In this scenario, importance of specialty channel is evident
  - 50% of product portfolio revenue is in the specialty channels
  - 30% of product portfolio revenue is in the specialty pharmacy channel
- ★ Portfolio Challenges:
  - Multiple products in multiple channels in this scenario requires multiple agreements to fully understand portfolio demand
  - The agreements, though different, would require similar data elements be obtained in both agreements
  - Challenging to fully realize multiple sets of data from multiple customers
  - Internal recipients (e.g. brand teams, Finance, Trade, etc.) may have different requirements for the data, further complicating the unifying efforts to make data into usable information
- ★ A lot of time could be spent re-engineering 852/867 data, sales data and inventory information to “demystify” the total demand picture



# Case Study – Impact Analysis (cont'd)



## ★ Product Challenges:

- Product C
  - Return rates in the retail channel are significantly higher than the specialty channel
- Product C & D
  - Demand in the specialty channel has issues due to non-reporting
  - Appropriate agreements are needed to potentially fill “information” gap
- Products B, C & D (if not all data needs are met)
  - Brand teams become concerned because they do not feel confident in the forecast (as high as 50% of revenue) at risk if right data is not obtained
  - Production and financial planning are pressuring the brand team to provide “better” numbers for both the production and financial forecasts
  - Sales force and compensation management becomes a non-value added exercise
- All these challenges are exacerbated by the “value” of the specialty product



# The Challenges And Opportunities Transcends The Channels

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## Challenges

- ★ Missing data, agreements and/or non-reporting entities, can profoundly influence the “demand” puzzle
- ★ “Demand” puzzle uncertainties ripple through the organization creating “spin”
  - Brand reporting
  - Forecasting: Production and Financial
  - Financial planning
- ★ Inventory management issues are exacerbated by the heightened uncertainty in information

## Opportunities

- ★ Ensure continuity in data/information across the channels and value chain
- ★ Minimize “spin” and enhance the ability to provide actionable data sets across the organization
- ★ Potential Benefactors:
  - Brand Team
  - Market Analytics
  - Finance
  - Sales and account management teams/Compensation
  - Contract Management



# User Open Discussion

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## ★ User discussion points:

- Are there any users who have specialty drugs in their portfolio?
  - What channels are they in?
- Do any user(s) have specialty drugs in the specialty pharmacy channel?
- Any user(s) care to share insights how they manage the channel?
  - Are you using a hub?
  - Are you using third party data?
- What are your largest challenges?
  - Data? .... Channel value? ..... Internal resistance?
- What opportunities do you see?



# Next Steps

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- ★ Capture thinking today and assess path forward to address challenges and opportunities

