

DEALS  
HITTING IT OUTTA THE PARK

CRO SURVEY  
FILLING IN THE PICTURE

THE NEW CHINA  
ARE YOU READY?

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# Pharmaceutical Executive

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## EMERGING PHARMA LEADERS 2011

TSUNAMI OR TIDE POOL, THESE LEADERS ARE READY  
FOR THAT SEA CHANGE THAT DEFINES A GENERATION



# Optimizing Your Value with Payers

Like leaping from a plane, successful negotiations require a willingness to take risks and an ability to adapt to ensure that soft landing

Two brothers bicker over the sole orange in their home, unaware of each other's true desires. Their father tires of the argument and peremptorily splits it, giving each boy half. One brother heads outside, quickly scoops out the pulp—tossing away the peel—and eats the fruit he wanted. The other brother, an aspiring chef, moves to the kitchen, excavates the wedges, discards them, and scales the peel for a new recipe he discovered (although the recipe called for the entire rind, not just half).

This story's lesson, adapted from "Getting to Yes: Negotiating Agreement without Giving In," is that the boys had conflicting *positions*: each wanted the orange. However, they had different, but dovetailing, *interests*: one craved the inside of the orange, the other the outside. Had the father taken time to probe *why* each boy wanted the orange, he would have discovered their underlying interests and doubled the value each received.

Understanding interests and positions, among other factors revealing people's true perception of value, reaches well beyond this parable into the pharmaceutical arena. Negotiations occur daily across the globe between company affiliate managers and their interlocutors: payers, insurers, hospital administrators, and HTA advisors

who decide where a product's value lies along their budgetary spectrum. Dissecting systematically the interests and positions of those players, then preparing thoroughly to negotiate with them, enhances company managers' opportunities to succeed.

## Defining Success

For the pharmaceutical affiliate general manager, market access director, or brand manager, among others who represent their company before decision-makers, defining success in the negotiation starts well ahead of the initial appointment to discuss price level and reimbursement coverage. Some helpful yardsticks of success include:

- » An agreement that is better than your alternatives to making an agreement;
- » An agreement satisfying your interests well, theirs acceptably, and others' tolerably;
- » An efficient agreement representing the best among many options;
- » A legitimate agreement where no one feels "taken;"
- » An agreement involving well-planned, realistic, and feasible operational commitments; and
- » An agreement where efficient process occurs due to good communication, enabling the company to establish the kind of relationships it seeks to strengthen.

Like the brothers seeking to maximize their value with the orange, the "circle of value" in these factors begins with understanding each party's interests, exploring options to enhance joint interests, and

offering factors of legitimacy—value dossier data, third-party testimonials, clinical trial outcomes, and others—that both parties accept as real and valid.

Negotiating, in many ways, resembles parachuting. You jump from the plane, aim for a landing zone, encounter unpredictable conditions, get pushed off course, and therefore must adapt. Preparing as an affiliate team for a negotiation by analyzing many key elements enables company advocates to minimize unfavorable surprises, moving conversations away from hardened positions often heard (e.g.: "Your price exceeds what we can accept;" "Your product represents the fourth-class entry, undeserving of first-line treatment recommendation;" "We demand a performance-based risk-share agreement as your clinical data appear weak versus comparators"), and toward discussing options addressing joint interests. Anticipating the take-it-or-leave-it upfront positions companies often hear and moving the conversation into the circle of value where joint value-creating options live takes training and time. For companies that invest in developing these skills, solid commercial returns can follow.

## The Foundation

Before marketing authorization and eventual negotiations commence, an affiliate's market access, government affairs, and commercial and medical colleagues usually create a stakeholder plan or "influencers map" to identify key players, their motivations, orbits of influence, and discretionary decision-making authority. This step proved invaluable for this author when his former com-



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pany prepared simultaneous access plans for an expensive biotech product for auto-immune diseases and a novel infant vaccine, the price of which set a dramatically high bar for the class. Developing a comprehensive stakeholder approach was derived from the need to improve communications between affiliates and head office personnel, as well as from the need to provide a clear platform general managers could embrace, regardless of team size. Stakeholder plans proved essential in setting the stage for eventual negotiation strategies.

Many companies have refined their stakeholder plan process, incorporating it into market access strategies to ensure core value dossiers remain the linchpin for payer and KOL advocacy. The approach we developed through a multinational team of general managers, government affairs managers, market access directors, and health economists centered on a straightforward seven-step process, with five steps performed annually and two reviewed at the general manager's monthly meeting. Success hinged upon strong general manager orchestration accompanied by affiliate staff "owning" specific relationships.

#### The Access Debate

While stakeholder plans emerge as a basic affiliate requirement, the access environment and payer demands to "show us the real value" of products require even higher skills for today's affiliate managers: To negotiate well, be better than your competitors. Payers are asking: Is it worth it (value for money)? Can we afford it (budget impact)? Can we avoid funding it (political impact)? Potential budget impact often outweighs available funds requiring tradeoffs of price versus patient access (subpopulations coverage) and other negotiable factors finding their way into the payer toolkit; eventual risk-share agreements often provide the entry ticket into reimbursement. Understanding payers' interests (e.g., predictable budget, good political im-

age, patient care) as differentiated from their positions (e.g., desire for higher political station, public perception of not "caving in" to multinational drug firms) becomes a critical factor as affiliates prepare for negotiations.

Preparing affiliate managers to negotiate with a shifting payer environment requires comprehending payers' interests and judging the company's offer from the funders' perspective. Moreover, the shift toward more decentralized decision-makers (e.g., Swedish county councils, Spanish autonomias, Italian provincial formularies, Dutch hospital pharmacists) requires company negotiators to conduct multiple discussions simultaneously. Meanwhile, these payers talk with one another to share lessons and outcomes; only time separates emerging markets such as Brazil, India, Russia, China,

face global pricing committee policies. These processes streamlined consultation, provoking better decisions and ultimately stronger, more realistic proposals to payers. The commercial performance of the biotech product and the childhood vaccine benefitted from these applications in most markets.

#### Solid Plans

The pharmaceutical reimbursement scene challenges affiliate managers in ever more creative ways. New drugs appear on the market today less often than they did a decade ago. Unmet medical needs in diseases such as oncology, MS, Alzheimer's, and others still offer significant opportunity, especially for biotech entrants. Meanwhile, biosimilars have begun to appear on the horizon, and over the next few years will touch some significant therapy classes, such as rheumatoid

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## Payers talk with one another to share lessons and outcomes. Only time separates emerging markets from learning new tricks from their industrialized cousins with long heritages of socialized medicine

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and Turkey from learning new tricks from industrialized cousins with long heritages of socialized medicine. Affiliate managers face the firing line daily. Helping them develop solid negotiating skills makes practical sense.

#### Lessons Learned

Informed and battle-tested industry veterans understand these challenges. For my former company, systematic stakeholder plans replaced a potpourri of affiliate access plans that often delayed decisions. That stakeholder foundation led to systematically analyzing, simulating, and rehearsing actual reimbursement negotiations, enabling affiliate managers to reconcile various potential outcomes with head of-

arthritis. Payers continue to see lower tax bases supporting growing, older populations with years of buildup expectations to have their old age conditions handled by the government or its proxy. Against this scenario, pharma companies' affiliate operations will require discreet skills to gain trust with multiple payers. Having a solid stakeholder management plan seems a no-brainer as long as affiliate managers take clear ownership of relationships under the guiding hand of the general manager.

The skill set of the future—competently and carefully negotiating with payers—will continue to grow. Those who excel at this may watch their competitors from the rearview mirror as they pass them in the marketplace. **PE**