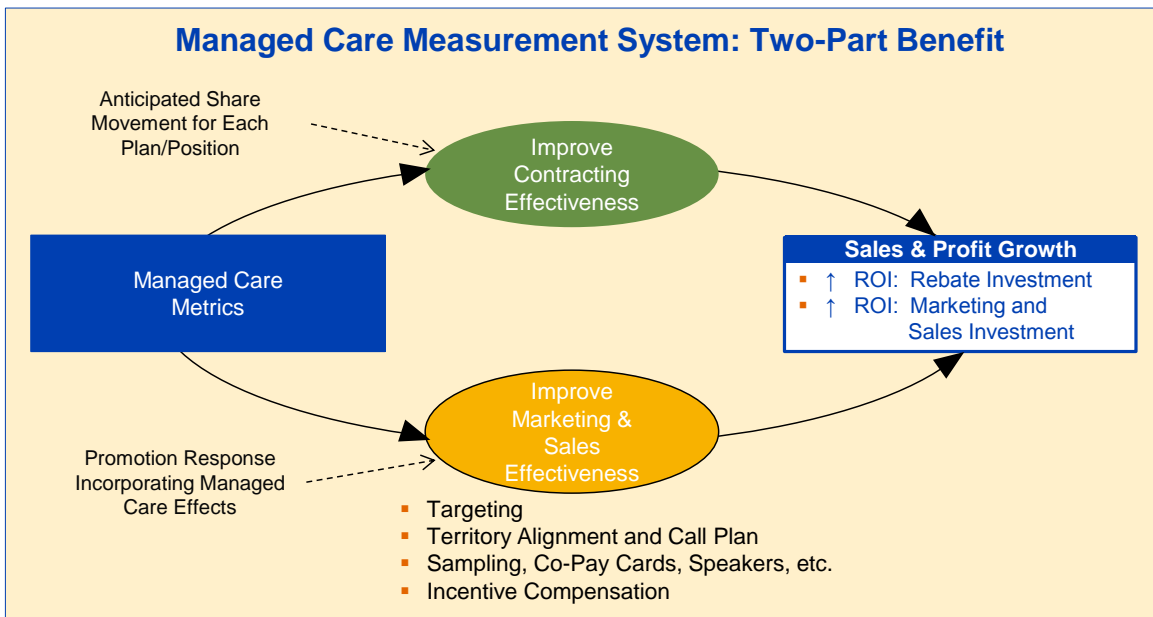


# A Managed Care Measurement System to Improve Marketing and Sales Effectiveness

The importance of payer influence has been widely recognized for many years, yet many organizations have not developed an integrated approach to “managing Managed Care.”

Our recent studies have shown that variation in managed care position now accounts for up to 70% of variation in territory share. Still, many organizations may not adequately evaluate their payer-directed investment, and most do not integrate managed care impact into other promotional

activity. The situation calls for company-wide use of a Managed Care Measurement System that will improve both contracting effectiveness and direct downstream marketing and sales activity, as illustrated below:



## Measurement System Description

We employ a Managed Care Performance Measurement System that includes three metrics. The system enables users to distinguish the impact of negotiated formulary status from control, as shown in Exhibit A. Formulary Control is inherently a plan attribute that spans multiple brands.

These measures can be applied to individual plan formularies to support contracting decisions, and then also applied to any combination of plans in order to extend their application to individual physicians and territories. This improves downstream marketing and sales resourcing decisions because they can be made with full recognition of the impact of Managed Care.

A Managed Care Measurement System Definitions		
Metric	Definition	Inherent Attribute of
Formulary Position Value	Expected share in light of a brand's formulary status relative to the formulary status for all other relevant products	Brand/Plan
Formulary Control	Degree of share movement vs. that expected, given formulary position for each brand relative to all other relevant products ... "teeth". Measure calculated for multiple products within each plan.	Plan
Plan Impact	Share movement caused by the combination of brand Formulary Position Value and Plan Formulary Control	Brand/Plan

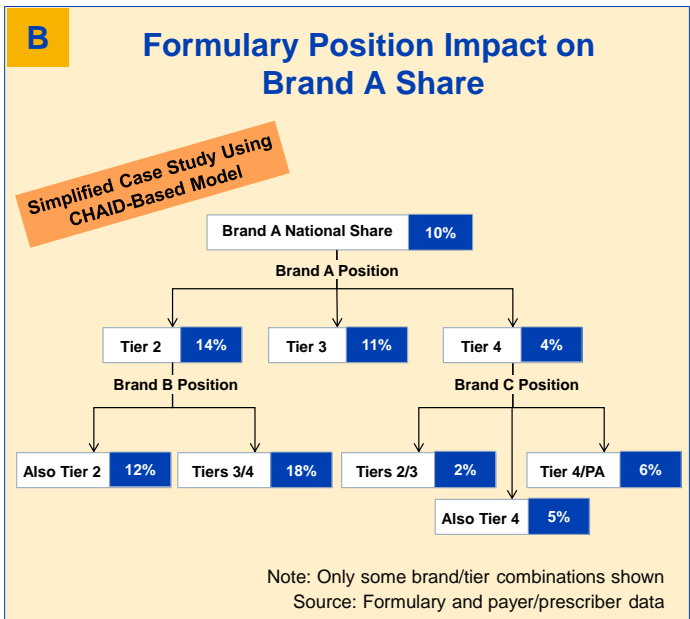
## Improve Contracting Effectiveness

### Formulary Position Value

Formulary Position Value is modeled using hierarchical structure analysis or non-linear regression. Whichever technique is used, the output considers the impact of the positions of all relevant competitive products on the expected share for your brand.

The model can be structured to include tier status, prior authorization, step edit requirements, as well as other information available at the most detailed plan or benefit design level that can be obtained from formulary information providers.

In the simplified case study illustrated in Exhibit B, Brand A's expected share is effected by its own tier status as well as the tier status for Brand B and Brand C.

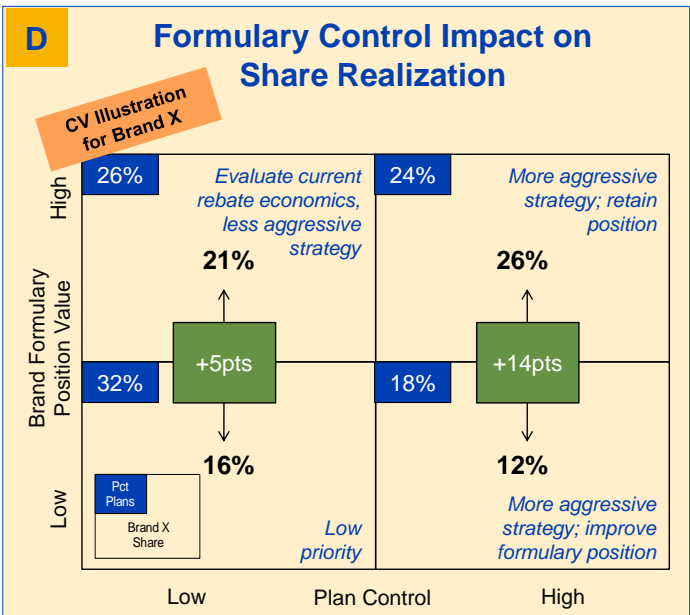
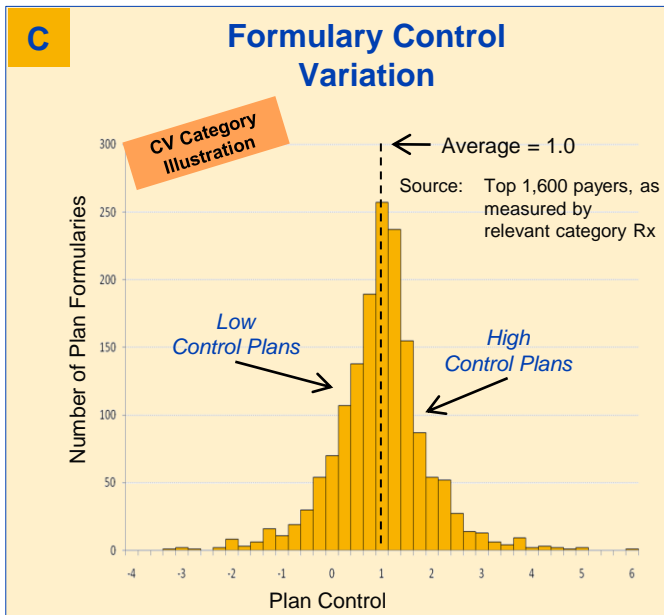


### Formulary Control

The actual share movement observed vs. that expected in light of the Formulary Position Value enables objective measurement of Formulary Control. Plans with more share movement than expected exhibit high formulary control, while those with less movement than expected represent low control formularies. Exhibit C which is based on a recent analysis for a cardiovascular category,

conveys wide variation in Formulary Control. Formulary Control, in turn, has a dramatic impact on share realization, as shown below in Exhibit D.

This analysis provides the engine to simulate single or multi-brand changes in Formulary Positions to support negotiations with one or more plans.



## Improve Marketing and Sales Effectiveness

### Physician Impact

Promotional response is impacted by the combined effect of the Formulary Position Values and Formulary Control for all plans funding the Rx's written by each physician. The average Formulary Position Value and Plan Formulary Control are determined based on the specific plan mix for each prescriber.

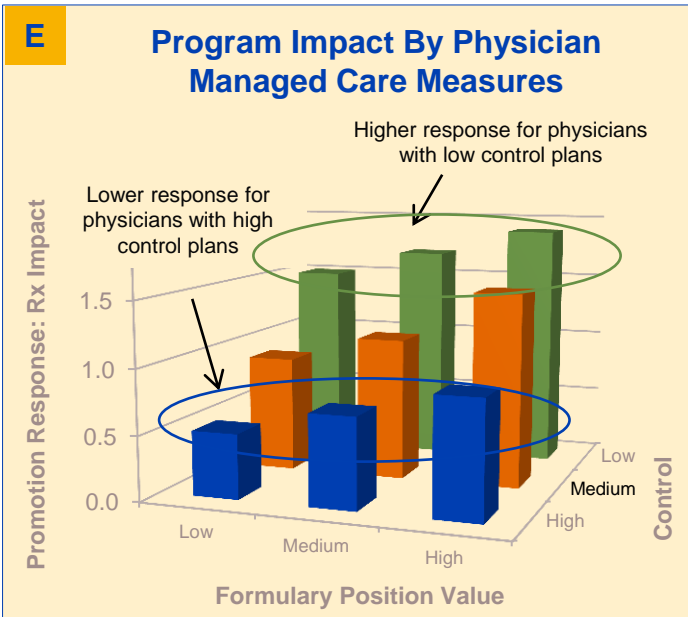
Of course, the promotional response observed varies widely for different programs and products. However, we find that promotional response to many downstream marketing and sales activities can be impacted more by Formulary Control than Formulary Position Value. This is shown in Exhibit E, at right.

It is important to note that while overall share will be strongest for high Formulary Control, high Formulary Position Value situations, the promotional response to marketing and sales activity may not be, since so much of the share position is due to Managed Care.

### Regional Impact

The impact of Managed Care varies widely across the United States, as shown in Exhibit F.

Knowledge of these regional differences can be used to shape territory alignments. For example, instead of striving to achieve equal balance, field sales coverage intensity can be increased in areas where rep impact



may be higher, and Managed Care lower. Managed Care impact can also be used to direct distribution of co-pay cards and other sales and marketing activity.

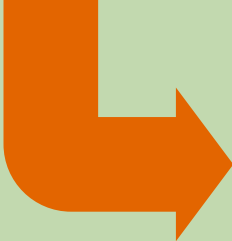
Differences in territory-level Managed Care impact can also be incorporated into goaling to improve sales incentive compensation design.



## Summary

Payer influence may be the single most important factor to consider in determining the level and composition of sales and marketing spending. A thorough and objective measurement system that can be consistently applied to

direct payer negotiations as well as downstream marketing and sales resourcing is required. The two-pronged benefit can provide a substantial lift to the overall sales and marketing ROI.

Managed Care Measurement System Application Grid				
Activity	Improve Contracting Effectiveness		Improve Marketing & Sales Effectiveness	
	Formulary Position Value	Plan Control	Geographic Impact	Physician Impact
Plan Priorities	✓	✓		
Plan Contracting	✓	✓		
Sales Force Deployment			✓	
Promotion Response Analysis				✓
Targeting				✓
Call Planning				✓
Card Allocation				✓
Other Resourcing				✓
Goaling/Compensation				✓

## About Michael Allen Company

Founded 30 years ago, Michael Allen Company is a growth strategy consulting firm dedicated to developing innovative approaches to address growth challenges faced by many of the world's leading pharmaceutical, biotech, and medical product companies.

We bring a team of experienced consultants to each engagement, combining unique analytical capabilities with an on-the-ground understanding of the strategic and human challenges business leaders face. This enables us to design go-to-market strategies that are both theoretically sound and practical.



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