

# → DISRUPTING THE MODEL: Patient-Centricity

The industry may be on the verge of a dramatic change in operations to address

the growing move toward putting patients at the center of, well, everything.

Industry analysts have been reporting on the need for industry transformation toward a more patient-centric business model for several years. In 2010, EY used the phrase Pharma 3.0 to describe all the innovative trends that are shaping this new healthcare ecosystem. By 2011, pharma companies had expanded the number of Pharma 3.0 initiatives, which included nontraditional partnerships, by 78% in one year. In 2012, the focus turned toward the patient-centric model and the need to improve patient adherence. In 2013, it is time for the industry to act.

Life-sciences companies need to significantly extend their business models with more patient-centric value propositions and enduring relationships with patients. Business models of tomorrow will be data-centric, behavioral-savvy, experience-focused, holistic, and revenue-flexible, according to EY. Beyond

commercialization, this approach will create a cycle of reinvention that will effect the ways in which companies develop products, to how they interface with customers — all of which in the hope to increase R&D productivity, influence behaviors, and radically improve outcomes. Can the industry adapt to such a dynamic change, and will it try?

It can and it is, according to our experts.

“For life-science companies, the idea of changing a business model that has proved remarkably resilient and successful for many years doesn’t come easy,” says Patrick Flochel, EY’s global pharmaceutical sector leader. “A recurring theme in our discussions with pharma executives has been how hard it is to change the current business model. But everybody realizes that the up-side potential of new business models is huge, and there are signs that life-science firms are gearing up to change to take advantage of them.”

Diego Miralles, M.D., founder and head of Janssen Healthcare Innovation, says he has no doubt that the industry will change its business model, and that it is changing already, albeit slowly.

“The pharmaceutical industry has the capacity to change, and it must change to survive,” he says. “How it is going to look is still unclear, and getting there will be difficult.”

While analysts are calling for quick action from the industry, Dr. Miralles says how quickly that change happens will depend on the influence of players who have a high financial stake in keeping the system as it is. Some businesses may even fail due to the necessary changes in the business model.

**NEERAJ SINGHAL** • *Cegedim*

**“The move to a more patient centered model will require a monumental shift in thinking for the industry.”**

The move to a more patient centered model will require a monumental shift in thinking for the industry, says Neeraj Singhal, VP, product management and innovation, Cegedim.

“This shift in focus from prescription writers — physicians-to-prescription-consumers-to-patients — is a significant change for life-sciences companies,” he says. “Patients have always been involved in the drug development process at the time of clinical trials and adverse event monitoring. Now, life-sciences companies are focusing more on building strong postlaunch relationships with consumers.”

“The industry is making changes, and they are happening today,” says David Handelsman, principal, SAS Health Analytics Practice. “We are observing much more collaboration and more conversations around some of these very difficult healthcare and fiscal problems.”

Mr. Handelsman says the speed of change will depend on the innovative environment of each company, which is influenced by therapeutic area.

“For companies focusing on mainstream conditions, such as diabetes and high blood pressure, those companies must differentiate themselves on value, not on the medicine itself,” he says.

A company that discovers a cure for Alzheimer’s, for example, can afford to be less adaptive to the new concept.

Kathy Gram, associate director, corporate communications, Millennium: The Takeda Oncology Company, has a more conservative opinion on the need to make the big move to a brand new business model. While change is inherent in today’s healthcare environment, Ms. Gram contends that revenue drives drug development and there may be other avenues to explore.

“In my opinion this is a very lofty goal,” Ms. Gram says. “I agree that it is imperative to be data-driven and patient-focused, but within the life-sciences companies there is still a huge cost related to drug development and the expectation that there will be profits to share. Therefore, revenue flexibility will be a function of efficiencies internally and externally,



some of which might be achieved through risk sharing.”

**Barriers Prevent Quick Uptake**

There are three main barriers to the transformation, according to Mr. Flochel. One hurdle that comes up often in conversations with the industry is that the current business model appears to be working just fine. Mr. Flochel refers to this as the stickiness of the current business model — it is still delivering high margins and good growth, and forecasts say it will keep doing so in the short to mid-term. Second, building new business models means embarking into uncharted territory, which may be well outside a company’s comfort zone and lead to clashes over goals and culture. And third, pharma companies’ product development life cycles are notoriously long; it is a big risk to assume that they will be able to adapt quickly to a rapidly changing ecosystem in which new technologies appear with alarming frequency.

Christine McAllister, director of engagements, Appature, says there are still many life-sciences companies following the old, traditional way of marketing and not focusing on

customer centricity. To face today’s competitive challenges in the marketplace, companies will need to adopt an informed marketing approach to continue to be successful in the future.

“Only about a third of life-sciences companies have started down the path to a more informed, data-driven marketing model,” she says. “Some are making good progress, but it may take another three to five years to truly become customer centric.”

According to Ms. McAllister, the most active players right now are companies preparing for new product launches, those with products late in the life cycle where they are making a shift to greater focus on nonpersonal promotion, and specialty biopharma companies that need to maintain high degrees of intimacy and strong lines of communications with smaller but higher value patient populations.

“These are the companies that are most aggressive in wanting to change their marketing model,” she says.

The end goal in the move to a more patient-centric model is a better-informed patient, Dr. Miralles says.

“The industry needs to provide the patient with solid, scientifically valid information that



**DR. DIEGO MIRALLES** • Janssen Healthcare Innovation

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is displayed in a lay manner so the patient can have a deeper understanding and ownership of their disease and their health,” he says. “Patient education should be the cornerstone of healthcare and the focus of all our efforts.” **PV**

**PREPARING FOR A NEW HEALTHCARE MODEL**

Three experts share their roadmap toward improved health outcomes.



**PATRICK FLOCHEL**  
EY

We believe that a business model focused on innovation should be supported by commercial trials, along five governing principles:

1. Piloting initiatives to explore new business initiatives on a small scale.
2. Rapid prototyping, which is something the industry will have to learn from technology peers. It will not just be about seizing opportunities but also about terminating failing experiments and learning lessons quickly. This will require new cultural mindsets and a different tone at the top, one that provides incentives for speed, flexibility, and experimentation.
3. Open innovation. Delivering new outcome-based products and services in the Pharma 3.0 ecosystem will require combinations of competencies that no individual firm possesses, and companies will need to bring an outside-in, open approach.
4. Flexible control. Alliance structures will need to be sufficiently well defined to maintain the focus of the collaboration but flexible enough to allow for quick response to new challenges and opportunities.
5. Portfolio management. Companies will need mechanisms to look across their alliance portfolios so that partners can learn from each other.



**CHRISTINE MCALLISTER**  
Appature

As companies prepare for the new commercial business model, they must embrace a customer-centric approach to their marketing efforts, creating a 360-degree view of their customers, executing multichannel marketing strategies and using analytics to drive future marketing decisions.

Centralized data management is a critical foundation in providing a holistic view of the consumer. But that is not enough; all of the available data elements must be considered to create flexible segmentation that can be changed on the fly as market conditions change.

Integrated campaign management tools are needed to fuel one-to-one messaging with patients and caregivers, providing them with only the information relevant to their specific needs through the channels they desire. A trigger-based approach is important to provide timely information in response to patient actions in a coordinated fashion.

Real-time reporting is key for marketing teams to be able to quickly integrate learnings into the next campaign planning cycle and not have to wait months for results.



**DR. DIEGO MIRALLES**  
Janssen Healthcare Innovation

A good example of how the industry is experimenting today is seen in how healthcare is paid for in Germany. They are not paying for volume but rather they are helping the system improve outcomes. Because companies are going at risk they are getting rewarded for actually lowering costs and improving outcomes versus selling a product.

The difficulty comes in setting up the right payment system where you can actually measure improvements in quality that are also clinically meaningful. So, whether that reduces net costs is still to be determined, but it is going in the right direction. There are a lot of experiments like this going on, and they will contribute to dramatic change in the industry.

Another forward-thinking example of experimenting with new models of healthcare is CMS Innovation Center’s initiative to test the Accountable Care Organization model in dialysis units where providers will be rewarded with a portion of the savings.

This is a totally new model to improve care and lower treatment costs for Medicare beneficiaries with end-stage renal disease.