

U.S. HEALTHCARE CONSUMERS Want Changes in Healthcare Design



Consumers will redefine our healthcare market, but how they do it is the most important strategic question the healthcare industry must answer, says Paul Keckley, Executive Director, the Deloitte Center for Health Solutions.

Americans see themselves less as patients and more as consumers who want more from their healthcare system than they're currently getting, according to a recent survey conducted by the Deloitte Center for Health Solutions. They want greater online connection to healthcare providers and medical records, customized insurance coverage, and wider access to emerging innovations such as retail clinics. They express anxiety about future healthcare costs, but many also say they are willing to pay extra for wellness programs and to support tax increases to cover the uninsured.

The 2008 survey, a Web-based poll of 3,031 Americans between the ages of 18 and 75, assesses adult consumers' behavior, attitudes, and unmet needs for four sectors: providers, health plans, life-sciences organizations, and the public sector. It was directed by Paul Keckley, executive director of the Deloitte Center for Health Solutions, and William Copeland, Jr., national managing director of the Life Sciences and Health Care practice of Deloitte Consulting.

Men have a higher tendency than women to choose prescription drugs over alternative therapies.

"More than anything, the findings convince us that Americans no longer see themselves only as patients but as consumers who want to take greater control of their healthcare," Mr. Keckley says. "Consumers will redefine our healthcare market, but how they do it is the most important strategic question the healthcare industry must answer."

The way Americans think and behave in buying, managing, and using their healthcare varies widely by gender, age group, and cultural background, according to the survey. Women and men, for instance, have very different approaches to how they select and pay for their healthcare. The survey found that women have a higher tendency to make their own decisions about treatment, rather than deferring to their doctors, and they are more likely to explore alternatives to traditional healthcare services and to engage in more comparison shopping for reduced healthcare costs and better hospital services. Women are also more Web-savvy consumers; they consult health-related Websites for medical information in greater numbers than men, and they insist in higher percentages upon online access to test results and appointments.

By contrast, men are more likely than women to pay more for same-day appointments and to make changes to health coverage, and more men than women want higher deductible and lower copay premiums. Men also have a higher tendency to choose prescription drugs over alternative therapies.

Despite some demographic differences, the study found that consumers overall have the same needs — better service, personalization, and value — and that they want specific tools to customize the health services and insurance programs they use. Respondents are also embracing innovation; they want health plans to provide help with clinical decisions, not simply administrative services, and many want to customize their insurance with unique coverage and pricing features.

Other key findings of the survey include:

- 93% of respondents say they are not well-prepared for future healthcare costs.
- 34% say they would use a retail clinic, and 16% already have done so. Those who have visited a retail clinic indicate 92% satisfaction with convenience and 89% satisfaction with quality of care.
- 60% want physicians to provide online access to medical records and test results and online appointment scheduling; one in four say they would pay more for the service.
- Three out of four consumers want expanded use of in-home monitoring devices and online tools that would reduce the need for visits and allow individuals to be more active in their care.
- One in three consumers wants more holistic/alternative therapies in their treatment program.
- Two in five consumers want a wellness program to improve health and/or save money; one in four say they would pay more for it.
- 29% support a tax increase to help cover the uninsured; another 34% say they would consider a tax hike.

PATIENT ORIENTATION VS. CONSUMER ORIENTATION

PATIENT-CENTRIC MODEL

- Physicians as decision-makers
- Patients consider only the diagnostic and therapeutic options that are recommended to them
- Patients bear little responsibility for adherence and outcomes
- Patients have limited financial accountability

CONSUMER-CENTRIC MODEL

- Physicians as coaches
- Consumers consider all available options
- Consumers bear greater responsibility for adherence and outcomes
- Consumers have full accountability for costs

Source: 2008 Survey of Health Care Consumers by the Deloitte Center for Health Solutions, Washington, D.C. For more information, visit deloitte.com/centerforhealthsolutions.

GOLD STANDARD IN ASTHMA TREATMENT is Expected to Emerge

A report by Decision Resources projects that formoterol/mometasone, an asthma therapy codeveloped by Schering-Plough and Novartis, will be approved in 2009 and become the clinical gold standard for treating asthma by 2011 because of its competitive advantages in delivery over AstraZeneca's Symbicort.

Because of the saturated and competitive nature of the asthma market, the development of fixed-dose combination inhalers that can treat patients with persistent disease ranging from mild to severe is the most commercially compelling sector of the pipeline. As such, the late-stage asthma pipeline is dominated by new fixed-dose, long-acting beta2 agonist/inhaled corticosteroid (LABA/ICS) combinations.

According to the DecisionBase 2008 report, Asthma: Novel Product Differentiation Remains a Key Challenge, formoterol/mometasone may have a greater number of inhaler device options if Schering-Plough and Novartis decide to pursue both metered dose inhaler (MDI) and dry powder inhaler (DPI) formulations of the drug, which are the same delivery mechanisms offered by market leader GlaxoSmithKline's Advair. The 60 primary care physicians surveyed for the report indicate they would prescribe formoterol/mometasone to 34% of their patients with persistent asthma.

"Pulmonologists emphasize that delivery device

The development of fixed-dose combination inhalers is the most compelling sector in the asthma pipeline.

and formulation can influence patient compliance and, in turn, outcomes; as a result, they value a variety of options for their patients," says Cindy Mundy, Ph.D., director at Decision Resources.

Decision Resources' DecisionBase 2008 reports combine market forecasts with clinical and commercial endpoints to assess market-share projections in 35 indications, driven by quantitative and qualitative primary research.

Globalization Challenges Clinical SUPPLY-CHAIN MANAGEMENT

As organizations increasingly conduct clinical trials worldwide, the accompanying legal and regulatory requirements are giving rise to new challenges in managing the clinical supply chain and efficiently completing trials. According to a benchmarking study conducted by BearingPoint and AMR Research, companies that delay implementing best

practices to address the regulatory complexities of conducting clinical trials across geographic boundaries are at risk of falling behind in the increasingly competitive global life-sciences market.

The study, *Managing the Clinical Trials Supply Chain*, surveyed more than 100 pharmaceutical and biotech executives and found that about one-quarter expect to conduct 21 or more Phase I studies annually by 2010, an 18% increase from 2007. The survey also showed significant growth in global trials, with Africa, the Middle East, Eastern Europe, and South America topping the list of regional expansion.

"Globalization is having a significant impact on every industry, and the pharmaceutical and biotech space is no exception; this study validates that," says Ellen Reilly, managing director, life sciences, at BearingPoint. "As a result, these organizations need to be implementing best practices now to efficiently manage their clinical supply chains to bring new drugs to market faster and in an effective manner, while also remaining compliant with global regulations. Otherwise, they will be left in the dust trying to navigate this very dynamic and competitive market."

Key findings of the study include:

- More than 57% of respondents anticipate maintaining or increasing the number of subjects participating in their Phase I, II, and III studies by 2010.

- Almost 70% of respondents plan to conduct at least four adaptive trials in 2010, a 30% increase over those that expected to conduct at least four adaptive trials in 2007.
- Only 13% of clinical trials products shipped and received are on time and 90% complete, showcasing the need for significant improvements in the supply-chain process.
- The most significant clinical-trial supply chain challenge is getting the right kit at the right time to the right site.

"We have spoken with a large number of pharmaceutical and life-sciences executives and senior managers in the past six months on the challenges in the clinical trial supply chain," says Hussain Mooraj, research director, life sciences, at AMR Research. "Although companies are looking to new products to fuel future growth, the complexity, regulatory demands, and disconnected demand-sensing and product supply processes result in an extended and expensive development process. The conundrum is

how to accelerate the speed of development and drive down supply chain costs at the same time."



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Pharma Companies Warned of Need to Implement RECESSION-READY BUDGET AND STAFFING Approaches

Signs of a recession hitting the U.S. economy will impact all industries, but a Best Practices report warns it could potentially hurt pharma and biotech companies even more because of the pressures the industry already is facing.

Pharmaceutical and biotech companies are facing increasing pricing and regulatory pressures and decreasing numbers of newly approved therapies, which could make them especially vulnerable to a recession. It is imperative, therefore, for companies to maintain the appropriate mix of budgets and staffing to meet corporate objectives.

The Best Practices report, U.S. Pharmaceutical Budget and Staffing Excellence: Benchmarking the Resources Required to Drive Productivity and Growth, surveyed staffing executives from 35 top pharma and biotech companies, with 15 of those companies selected as a benchmarking group for certain metrics. Respondents offered insights across several key areas, including marketing operations and services, sales support, managed care, state and government affairs, finance, and legal and compliance.

According to the report, 93% of participating companies reported centralized sales support functions, and 66% of companies had revenue of \$1 billion or more. Most companies concentrate their sales support FTEs (full-time equivalent employees) in support staff and sales communication

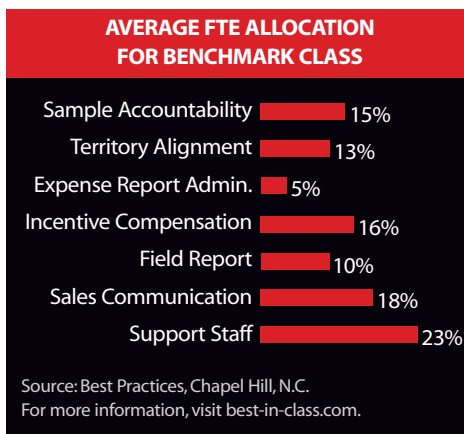
functions, accounting for 40% of the total human capital employed.

On average, sales support FTEs support 86 reps, while sales support FTEs at the most efficient companies are often capable of supporting at least 140 reps. Benchmark companies budget an estimated \$460,000 per sales support FTE, including labor, overhead, and outsourcing.

The sample accountability group, which is the activity that regulates the largest direct cost to the company, had the highest average FTEs allocated of all sales support activities (10.1).

Other key findings include:

- Marketing services groups support an average of 7.8 brands, with 6.7 FTEs allocated per brand promoted.
- Managed care groups report an average of 18 FTEs allocated to customer marketing strategy.
- Finance budgets as a percentage of sales average 1.33%.



- Legal and compliance groups indicate an average spend of \$199,702 per FTE.

Pfizer and Novartis Rank High Among MANAGED CARE MEDICAL DIRECTORS

Novartis received its best rating in five years from managed care medical directors in Verispan's fall 2007 Managed Care Medical Director Promotional Audit, finishing second for the cycle. The overall ranking is calculated by Verispan based on five assessment areas: clinical objectivity, value-added services, disease management, account personnel, and corporate approach.

Although Novartis has been among the top five companies overall by medical directors since spring

2003, it has never finished higher than third overall. Between spring and fall 2007, Novartis' net score improved in two of the five assessment categories: value-added services and disease management, where the company finished second and third, respectively.

For the seventh consecutive audit cycle, medical directors ranked Pfizer No. 1 overall. The company finished first in three of the five assessment categories and placed second in the remaining areas, including corporate approach, where it had fallen to sixth in spring 2007.

Verispan's managed-care medical director promotional audit is based on the responses of medical directors who represent a large portion of American lives covered by HMOs. These medical directors reported promotional activity by pharmaceutical firms in an eight-week period in fall 2007. They also rated companies on their ability to meet the managed care industry's needs in five areas.

Managed care medical directors ranked Pfizer No. 1 for the seventh consecutive audit cycle.

BEST OVERALL COMPANY	RANK
Pfizer	1
Novartis	2
Merck	3

Source: Fall 2007 Managed Care Medical Director Promotional Audit, Verispan, Yardley, Pa. For more information, visit verispan.com.

Follow up

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