Value is the Target

A STAKEHOLDER SURVEY OF PERCEPTIONS ON VALUE IN HEALTHCARE
Biopharma’s success in the new healthcare economy is predicated on one simple principle: prove the value of your treatments or risk losing market share and profits. Healthcare costs are climbing, regulators around the globe are requiring more information, and both providers and payers have higher expectations for a medical treatment’s proof of value before prescribing or paying for those treatments. These quality, cost and outcome driven imperatives to obtain market access must also incorporate effectiveness, safety and economic benefits as compared with competing products, and overall improved quality of life.

Any definition of value in healthcare must align with the “triple aim”—to improve population outcomes and enhance quality of life while simultaneously lowering healthcare costs. Reimbursement was once viewed as the ‘fourth hurdle’ for drug developers, but as cost becomes more significant to payers, providers and patients, the healthcare community is becoming more interested in competitive pricing as a component of the value proposition. Even in markets in which cost has been a key issue historically, price alone is becoming less important as payers expect a broader suite of measures that demonstrate a new product’s value.

Achieving any one piece of this value proposition is not enough; only when all three are pursued concurrently can a value-driven healthcare economy thrive. Regardless of the stakeholders’ role in this environment, they must make these three components of value the benchmarks against which they measure their success. This includes assessing quality and outcomes against price to determine value, and broadcasting these results in meaningful ways that reinforce the validity and relevance of the value message.

Yet healthcare industry stakeholders can’t seem to agree about how they define, measure and communicate value, and new data suggest that the transition to a value-oriented marketplace may be difficult. This is particularly true in the US, where biopharma companies have been slow to adopt the practices pioneered by some of their global peers, and continue to cling to old business models that lack the collaborative cross-industry partnerships that have been shown to drive greater value and efficiency into the drug development process. European stakeholders, in particular, have seen the benefits of cross-industry initiatives through programs such as the nine-year, €2 billion Innovative Medicines Initiative (IMI), a joint venture between the European Commission and industry to improve the development of medicines. And while these models are far from the norm, they offer an interesting glimpse into what can be accomplished when stakeholders work jointly with value-driven goals.

Yet for the most part, industry stakeholders still struggle to find alignment. A recent Quintiles survey of close to 300 healthcare industry executives shows that there is significant disagreement over even the most basic definition of value across the industry, and biopharma in particular faces significant challenges related to perceived bias in defining and communicating the value proposition. However, biopharma executives can learn from this survey’s data to motivate the rethinking and restructuring of strategies regarding the way in which they define, demonstrate and communicate value. Organizations that choose to lead in this endeavor have a good opportunity to gain competitive advantage over their peers.
OUR SURVEY RESULTS SHOW:

◆ Stakeholders don’t agree on a definition of value, and there is a major disconnect between how they define value for themselves and how their peers think they define value.

◆ Payers and providers do not entirely trust the data biopharma is providing, which will disrupt the latter’s ability to market products in this new environment.

◆ While most healthcare stakeholders are working to define value in specific treatment categories, disparate perceptions about the degree of difficulty in demonstrating value in individual therapeutic areas indicates biopharma’s misunderstanding of payer needs.

◆ Payers are perceived as having the greatest influence over how value will be defined, and all stakeholders expect payer influence to surpass that of regulators within the next 3-5 years.

Certainly, in any system of buyers and sellers there is an exchange of value. But healthcare payers’ view of what constitutes value for any particular treatment is evolving, and if sellers—biopharma—want to remain relevant, their view must evolve as well, adapting the priorities of their drug development process to align with the value demands of those buying their products.

This evolution, however, has yet to happen. Despite the fact that the healthcare industry has been discussing the need for clearly defined value as part of the treatment proposition for many years, our survey shows that stakeholders continue to hold vastly different opinions about what even constitutes value, making it challenging for the industry to align behind value goals.

In his *New England Journal of Medicine* opinion piece entitled “What Is Value in Health Care?” Michael Porter, the Bishop William Lawrence University Professor at Harvard University, argued that healthcare is no different from any other industry when it comes to value. He commented as follows: “In any field, improving performance and accountability depends on having a shared goal that unites the interests and activities of all stakeholders... Lack of clarity about goals has led to divergent approaches, gaming of the system, and slow progress in performance improvement.” If the industry can overcome its differences and set acceptable terms around its value proposition, it would help everyone, he argued: “If value improves, patients, payers, providers, and suppliers can all benefit while the economic sustainability of the health care system increases.”

This clarity could be achieved if biopharma created a framework for collaboration with other stakeholders to deliver against the triple aim—to improve population outcomes, enhance quality of life and lower healthcare costs. Such a framework has yet to emerge, but some forward-thinking European companies are making progress by working to adapt their processes to the changing environment. There are firms running Phase IIIb trials, for example, to gather additional data while a drug is going through approval in an effort to meet stakeholder demands for evidence showing product value. Rising interest in non-interventional studies and observational studies is also a reflection of this trend.

And in the US, the introduction of accountable care organizations (ACOs) is contributing to a shift from volume to value, just as has happened in Europe. More than 1,200 US hospitals and physician groups have already
signed up to join the accountable care program under the Patient Protection and Affordable Care Act, in which they share the financial burden of keeping patients healthy, according to Bloomberg News. Participants assume responsibility for tracking and maintaining the health of specific patient groups, and if they cut the cost of care while maintaining quality, they share in the savings. The government expects the savings may be as much as $1.9 billion from 2012 to 2015.

However, results have been mixed. There have been several examples of pilot programs failing to deliver anticipated results. Most recently, Reuters reported in July 2013 that 20% of the ACOs in a Medicare pilot program designed to control costs by shifting incentives away from costly procedures, announced plans to withdraw from the program when they failed to produce significant savings. After a year, the program’s 32 ACOs—which served 670,000 Medicare beneficiaries—managed to restrain cost growth to 0.3% overall, less than half the 0.8% growth for similar beneficiaries not served by ACOs.

These setbacks are not reason to give up on the savings aspect of the triple aim. Rather it is evidence that this value transformation will be difficult and healthcare stakeholders must anticipate obstacles as they evolve toward a more accountable value-driven business model.

Stakeholders continue to hold vastly different opinions about what even constitutes value, making it challenging for the industry to align behind value goals.
PERCEPTIONS OF VALUE

When given seven ways to define the value of a pharmaceutical product, and asked to choose which best describes how their organization defines value, biopharma, payers, and providers were most likely to choose ‘degree of improved efficacy over current products’ as one of their top two definitions, in the recent Quintiles survey.

The fact that all of the stakeholder groups agree that value is defined by improved clinical efficacy over current products is encouraging. This is a fundamental characteristic of the healthcare value definition, and one of the key attributes that regulators, patients and providers are looking for in a treatment option. In other regards, however, stakeholders’ value priorities diverge. US payers chose efficacy as their top definition of value three times more often (63%) than providers (21%) or biopharma (20%). Providers were most likely to choose ‘improved quality of life’ (34%) as their top definition of value, yet just 1% of US payers and 11% of EU payers put this definition at the top of their list.

The higher percentage of EU payers in this category may be a reflection of the region’s push to promote improved measures of quality and value. Several European organizations—including the United Kingdom’s National Institute for Health and Care Excellence (NICE) and The Scottish Medicines Consortium—consider improved quality of life as a key component of their value assessments, and many have implemented tools such as the Quality Adjusted Life Year (QALY) as a measure of value.

There was not a high degree of consensus among global biopharma executives with regard to their top definition of value: 32% selected ‘unmet medical need,’ 21% chose ‘improved quality of life,’ and 20% chose ‘degree of improved efficacy.’

CHOOSING YOUR COMPARATOR

Establishing the right reference point for measuring improvement can be complex, and understanding current standard of treatment across multiple markets becomes more important. Engaging with other health system stakeholders and choosing the right comparator for your product can help secure success.

CHOOSING YOUR MARKETS

Countries across Europe use reference pricing, creating an interconnected system that means regional success can be determined based on how authorities in a single country values the drug. Many countries look to larger markets, notably the UK, Germany and France, when establishing what they are willing to pay for new products. Failure to understand the nuances of each market and how they interact can affect a company’s ability to secure the optimum price for its product, and subsequent reimbursement within local health systems.
**Definitions of Value**

**Improved clinical efficacy** is seen as the most important *definition of value* for payers and providers.

- **US Payers:** 63%
- **EU Payers:** 37%

Providers were *most likely* to choose **Improved Quality of Life** as their top *definition of value*.

While BIOPHARMA executives were split among:

- **Addressing Unmet Medical Needs:** 32%
- **Degree of Improved Efficacy over current products:** 20%
- **Improved Quality of Life:** 21%
- **Cost Compared with existing products:** 0%

Number of BIOPHARMA executives that included **Cost Compared with existing products** in their top 3 *definitions of value*.
IT’S NOT ABOUT COST

Overall, stakeholders did not see cost as a critical measure of value. None of the stakeholders ranked ‘cost compared with existing products’ high on their list, and nearly one-fourth of biopharma executives placed it at the bottom of their top five, suggesting cost is not seen as a top priority when it comes to defining value.

However, this trend may be shifting. EU payers and providers regularly place cost in their top three value definitions, and US payers consistently include it in their top five, suggesting that cost and competitive pricing is gaining attention among these stakeholders. If US providers are becoming more financially responsible for their treatment choices, they must consider cost in conjunction with quality in their decision making.

Accountable Care Organizations, outcomes-based payment models and payer regulations in the US that require 85% of costs be spent on healthcare and quality, further enmesh the issue of cost into quality and outcome conversations.

The implication for biopharma is that if companies fail to measure cost in relation to outcomes as part of their future research and communication strategies, it is likely to impact their long-term business potential. Historically, any safe and effective treatment option could achieve a degree of commercial success. Today, failing to appreciate cost as an intrinsic characteristic of value may derail the commercial viability of a high-quality but premium priced product.

The healthcare industry as a whole struggles with the concept of cost as a measure of value, at least in the US. The employment of cost-effectiveness information in US healthcare decision-making is inconsistent, and often is resisted in favor of decisions about clinical effectiveness. In markets such as France and Germany, product evaluations have two separate processes. The first is an assessment of (relative) clinical benefit followed by a price negotiation.

While safety and clinical effectiveness will always be paramount, assessment of value-for-money—even if not via formal cost-effectiveness analysis—is rising significantly in importance. When patients are responsible for paying their healthcare bills, they are unlikely to choose a product outside of their financial reach. Patients’ predilection to make purchases outside of the healthcare marketplace based on quality and cost will also shape the way they

VALUE DEFINITION: COST COMPARED WITH EXISTING PRODUCTS

Percent selecting cost as their top choice

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Biopharma</td>
<td>8%</td>
</tr>
<tr>
<td>US Payers</td>
<td>6%</td>
</tr>
<tr>
<td>EU Payers</td>
<td>15%</td>
</tr>
<tr>
<td>US Providers</td>
<td>17%</td>
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</tbody>
</table>
purchase healthcare in the future. Therefore, biopharma must communicate the comparative efficacy, the cost effectiveness and the affordability of their products if they want them to become widely adopted.

Clearly, this is conceptually more straightforward for treatment options that deliver meaningful incremental value improvements and where there are already well-established alternatives in the market. That said, biopharma leaders and the rest of the healthcare community would not be wise to ignore this critical aspect of the value proposition as they bring new treatments to market.

**TAKE ACTION: FIGURE OUT WHAT VALUE MEANS TO YOU**

1. **EDUCATE YOURSELF ABOUT HOW VALUE IS SHAPING THE FUTURE OF HEALTHCARE.**
   Get ahead of the value trend by talking to customers about what they want in terms of value. Use these conversations to shape your organization’s internal dialog about value.

2. **DEFINE VALUE AT AN ORGANIZATIONAL LEVEL.** Establish an internal definition of product value that includes what qualities determine value, how those qualities will be measured, and the consequences of failing to meet value expectations.

3. **USE THIS DEFINITION TO DRIVE DECISION-MAKING.** The healthcare economy is now driven by value, so value-driven goals have to rank as high as the quality, safety, cost, and regulatory demands that currently shape your product development. Make value part of every review process to ensure that it remains top of mind for all executives as you bring new drugs to market.
Part 2: Perceptions and Misperceptions

The Quintiles survey showed a significant disconnect between stakeholders’ definition of value for themselves and their perception of how others define value. This lack of agreement—as well as a lack of trust—is making it very difficult for them to collaborate toward common, value-driven goals.

Biopharma executives most often chose ‘unmet medical need’ as their top definition of value. However, when other stakeholders were asked how they think biopharma defines value, roughly half of US payers and providers, and a third of EU payers, believe biopharma executives would choose ‘the potential number of patients who could use the drug’ as their top value definition. Additionally, just 6% of providers thought biopharma would choose ‘degree of improved efficacy over current products’ as biopharma’s top definition of value, and half of US payers and providers, and a third of EU payers, didn’t think ‘improved efficacy’ would make biopharma’s top three list. Other stakeholder groups show similar disparities. For example, US and EU payers most often chose ‘degree of improved efficacy over current products’ as their top definition of value, while roughly half of biopharma and providers think they would rank ‘cost compared with existing products’ as their top definition of value.

These data are similar to results from a 2011 Quintiles survey, which revealed that there was no consensus on a definition of value across the healthcare industry. Questions around value in that survey showed that biopharma executives were the only group in which a majority included outcomes as part of their definition. For patients and physicians, the process (quality of care) appeared to matter as much as the outcome in their assessment of value, although nearly one-third of US patients did not feel they could adequately define value. In related questions, only 6% of biopharma and 7% of physicians said cost for patients was an important factor in the prescription of medications.

The inconsistency around how stakeholders define value—and perhaps more importantly, how they perceive other stakeholders as defining value—indicates that these organizations will face difficulties collaborating with one another and in delivering a consistent message about how and why a product adds value to the healthcare process.

Without that understanding, biopharma organizations may overcome all the necessary approval hurdles and still fail to attain acceptable market share. In Europe, for example, Bayer’s anticoagulant Xarelto was recommended by NICE last year, but uptake by local UK stakeholders has been patchy.
PERCEIVED DEFINITIONS OF VALUE

There is a disconnect between how stakeholders define value for themselves and their perception of how others define value.

ADDRESSING UNMET MEDICAL NEEDS is BIOPHARMA’S top definition of value

- **32%** BIOPHARMA

Yet other STAKEHOLDERS perceive POTENTIAL NUMBER OF PATIENTS as BIOPHARMA’S top choice

- **51%** US PAYERS
- **31%** EU PAYERS
- **47%** PROVIDERS

DEGREE OF IMPROVED EFFICACY is PAYERS’ top definition of value

- **63%** US PAYERS
- **37%** EU PAYERS

Yet other STAKEHOLDERS perceive COST COMPARED WITH EXISTING PRODUCTS

- **45%** BIOPHARMA
- **62%** PROVIDERS
These data suggest the need for more cross-industry discussions about value that involve all of the stakeholders, including patients. These stakeholders need to determine how the healthcare industry can work jointly to identify and deliver value-driven solutions, and to communicate that value to healthcare decision-makers. The disagreement over how biopharma defines value underscores the perceptions of other healthcare stakeholders in thinking that biopharma companies care primarily about access to patients rather than improving quality of life or delivering more effective treatments. One way for biopharma to change that opinion is to demonstrate the comparative effectiveness of their products well before they get to market by including payer-driven endpoints in the clinical development process. This will allow biopharma to demonstrate how their products deliver a value proposition that will appeal to the rest of the industry, and that their motives for delivering on these value statements is intentional and fundamental to their business model. Once a product moves into commercialization, biopharma can use the results of these efforts to generate more meaningful communications that resonate with stakeholders, regulators, and patients, and can more successfully promote the value of specific treatment options while establishing a more value-focused brand image in the minds of healthcare decision makers.

Stakeholders need to determine how the healthcare industry can work jointly to identify and deliver value-driven solutions, and to communicate that value to healthcare decision-makers.
TAKE ACTION:
HOW BIOPHARMA CAN WIN
BACK THE INDUSTRY’S TRUST

1. **AIM HIGHER.** Identify areas of high unmet need and take risks in clinical development to only develop new products that offer meaningful clinical superiority to the existing standard of care.

2. **FIGURE OUT WHAT MAKES A PRODUCT VALUABLE TO OTHER STAKEHOLDERS.** Monitor regulatory, financial, and social trends relating to value and healthcare, and use that information to shape your product portfolio. Pursue products that offer the greatest value proposition for the most stakeholders to ensure their broad success.

3. **STOP TALKING ABOUT VALUE AND START PROVING IT.** Make value a measure of progress from the outset, demonstrating through real-world research, Phase III trials, and industry partnerships how your product will deliver value to all healthcare stakeholders. Then, use those results to craft value-driven data and messaging.

4. **BE AUTHENTIC, TRANSPARENT, AND COLLABORATIVE IN YOUR MARKETING.** Instead of an aggressive sales pitch, consider grassroots marketing approaches and partnerships with patients, payers and providers. This will give you the opportunity to have real conversations about product value as a way to demonstrate your commitment to these goals.
Part 3: The Evolving Concept of Value

Ask any healthcare industry stakeholder to define value, and they are likely to tell you ‘it depends.’ Every treatment option has a different value proposition, depending on the illness being addressed, the target population, the number of potential users, competing treatments, and in some cases cost.

Understanding the varying definitions of value is critical in this current healthcare economy, initially for choosing the development paths to pursue, and later for demonstrating the value of those solutions during clinical trials, regulatory approval and commercialization steps. Biopharma must improve the way it defines value for most therapeutic areas. When asked how easy or difficult is it to prove the value of treatments for different therapeutic areas, stakeholders by-and-large agreed that Alzheimer’s is the most difficult. More than 70% of biopharma and US payers, 69% of EU payers and 61% of US providers said that it is ‘difficult’ or ‘very difficult’ to prove the value of this therapeutic area. But after that, biopharma executives remained largely neutral.

Proving the value of rare disease treatments is seen as a challenge for more than 60% of payers and providers who said that this is a difficult or very difficult value statement to prove. However, only 26% of biopharma made similar selections. Additionally, greater than 60% of all stakeholders said it is easy or very easy to define the value of diabetes treatments, yet only 29% of biopharma made similar selections. Further, when asked about oncology, CNS, rare diseases and diabetes, biopharma most often said that proving the value of these treatments was ‘neither difficult nor easy.’

Interestingly, 45% of EU payers said it is ‘easy’ or ‘very easy’ to prove the value of oncology treatments, compared to just 17% of biopharma and 15% of US payers. This is perhaps a reflection of the public versus private healthcare structure in these two regions.

Value propositions differ depending on the illness being addressed, the target population, the number of potential users, competing treatments, and in some cases cost.
VALUE DEMONSTRATION IN SPECIFIC THERAPEUTIC AREAS

Healthcare stakeholders experience unique challenges in defining value in different treatment categories.

While nearly all agree that proving value in

**ALZHEIMER’S**

is the MOST DIFFICULT*

stakeholders don’t agree on the degree of difficulty for proving value in other key treatment areas.

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<thead>
<tr>
<th></th>
<th>BIOPHARMA</th>
<th>US PAYERS</th>
<th>EU PAYERS</th>
<th>PROVIDERS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ALZHEIMER’S</strong></td>
<td>80%</td>
<td>72%</td>
<td>69%</td>
<td>61%</td>
</tr>
</tbody>
</table>

Proving value in

**RARE DISEASE** treatments is DIFFICULT*

Proving value in

**DIABETES** treatments is EASY‡

Proving value in

**ONCOLOGY** treatments is EASY‡

* Percentages reflect opinion that it is difficult or very difficult to prove the value in this area. ‡ Percentages reflect opinion that it is easy or very easy to define the value in this area.
INTEGRATING VALUE APPRAISAL STRATEGIES

The divergence just described underscores another problem around defining value; i.e., a product characteristic that benefits one stakeholder may negatively impact another. For example, while payers and providers may be drawn to diabetes treatments that offer long-term incremental improvements and have the ability to measure their impact, biopharma is more interested in revolutionary treatments that address unmet medical needs in innovative ways.

Therein lies the problem with value: every definition of value—for specific treatments and by specific stakeholders—will vary. Though they all incorporate a unique balance of efficacy, safety, quality, cost, and even access to the greatest number of patients, stakeholders have to acknowledge these varying definitions and pursue all of them simultaneously if they want the healthcare system to function effectively for everyone. For biopharma companies, it’s critical to develop value dossiers for each therapy differently, and to understand that each stakeholder must have value arguments delivered to them in a relevant way. This approach, however, is not currently taken on a wide scale: each stakeholder group focuses on a specific and narrow definition of value, which may drive profits for their sector in the short-term but undermines the long-term collective goals of the industry.

In their Harvard Business Review article entitled “How to Solve the Cost Crisis in Health Care,” Porter and Kaplan argued that poor measurement of cost and outcomes means that the best providers and manufacturers may be penalized because the improvements they make in treatments and processes reduce the need for highly reimbursed services, while inefficient providers have little incentive to improve. They observed that “Without proper measurement, the healthy dynamic of competition—in which the highest-value providers expand and prosper—breaks down... Instead, we have zero-sum competition in which health care providers destroy value by focusing on highly reimbursed services, shifting costs to other entities, or pursuing piecemeal and ineffective line-item cost reductions. Current healthcare reform initiatives will exacerbate the situation by increasing access to an inefficient system without addressing the fundamental value problem: how to deliver improved outcomes at a lower total cost.”

Choosing any single value proposition at the detriment of all others is short-sighted and could potentially stunt value advancement for all players. The overall value proposition of the healthcare system—to develop accessible treatments and health solutions that will improve health and the overall quality of life for everyone—can only be achieved when all value propositions are given some level of consideration. To do so, stakeholders must...
unite in understanding the connections between value definitions, and how achieving one value proposition can drive others, making them all stronger in the process.

The most evolved organizations extend this understanding of value even further. Through social healthcare initiatives, such as supporting non-profit drug development for underserved populations, making libraries of compounds available for non-profit research, and participating in industry partnerships to improve safety or quality of patient care, they improve the value of the healthcare continuum and their own corporate image in the process. Only when stakeholders embrace this broader understanding of value, and simultaneously pursue all of its elements, will the greatest benefit occur.

**TAKE ACTION: VALUE FOR ONE, VALUE FOR ALL**

1. **STOP THINKING ABOUT VALUE AS BEING ONLY ABOUT YOUR OWN PRODUCT:** The greatest benefit can only be achieved if you recognize the links between value statements and pursue them as an overarching goal. This may require a culture shift that will begin with frank discussions about how the value propositions that benefit other players can drive internal business growth, and what you can do to increase benefits for everyone involved.

2. **ESTABLISH PARTNERSHIPS TO CREATE A HIGHER VALUE HEALTHCARE SYSTEM:** Partner with peers and stakeholder groups toward common value goals and invest in broad social projects that will reinforce your profile as an organization that is keen to invest in the overall healthcare value proposition.

3. **BE COLLABORATIVE—IN A POSITIVE LIGHT:** It’s OK to want to be profitable, as long as you demonstrate how pursuing profitability will simultaneously help others meet their value objectives. When organizations are honest and authentic about their goals it generates trust and goodwill.
Part 4: Payers will Define Value Going Forward

When asked who will have the greatest influence in how value will be defined within the next 3-5 years, payers are roundly believed to have the most influence. In the recent survey, 75% of US payers, 66% of providers, and 59% of EU payers ranked them in their top two. Regulators are also seen as very influential: almost half of US payers, and roughly a third of EU payers and US providers put them at the top of their list.

Curiously, 41% of biopharma executives chose their own industry as one of the top two choices for future influencers of value: however, virtually no one else did. A full 40% of US payers and providers, and 20% of EU payers said biopharma will have the least influence in defining value going forward. Looking back at Quintiles’ 2011 New Health Report, biopharma received similarly low marks for adding value to the healthcare process. When asked to rank six stakeholder groups in how much value they add to healthcare, just 1% of physicians and managed care professionals, and only 5% of patients said biopharma adds the most value, which was roughly equal to the rankings received by health insurance companies and the federal government. Even more telling, only 11% of biopharma executives put themselves at the top of that list.

It may be of considerable concern to biopharma that the overall healthcare industry does not think they have much influence over the value conversation, particularly because an inherent part of the healthcare value statement is the quality, efficacy, and cost of the treatments biopharma creates. Biopharma plays a critical role in the healthcare value chain and is therefore uniquely positioned to create healthcare treatments that deliver the value proposition customers are demanding. But it appears that there is work to be done before stakeholders will recognize this.

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<thead>
<tr>
<th>Stakeholder Group</th>
<th>US Providers</th>
<th>Patients</th>
<th>EU Payers</th>
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<tbody>
<tr>
<td>Doctors &amp; healthcare professionals</td>
<td>81%</td>
<td>63%</td>
<td>50%</td>
</tr>
<tr>
<td>Scientists and medical researchers</td>
<td>44%</td>
<td>31%</td>
<td>46%</td>
</tr>
<tr>
<td>Biopharma</td>
<td>23%</td>
<td>11%</td>
<td>9%</td>
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<td>Patients and patient advocacy groups</td>
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<td>1%</td>
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<tr>
<td>Health insurance companies</td>
<td>12%</td>
<td>10%</td>
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<tr>
<td>Federal government</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
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The New Health Report 2011, Quintiles
Regulators and payers are expected to have the greatest influence over how value is defined going forward.

**REGULATORS**
will be the MOST INFLUENTIAL according to almost half of US PAYERS, and roughly a third of EU PAYERS and US PROVIDERS.

**PAYERS**
will be the MOST INFLUENTIAL according to nearly a third of STAKEHOLDERS

On the other hand, **BIOPHARMA** will have the LEAST INFLUENCE according to 40% of US PAYERS and PROVIDERS and 20% of EU PAYERS.

Even though 41% of BIOPHARMA rates itself as having the MOST OR SECOND MOST INFLUENCE.

**PATIENT**
influence is growing, as more than a third of PROVIDERS and one-fifth of BIOPHARMA selected patients as one of their top two choices.
PAYERS AND PROVIDERS ARE SKEPTICAL

Fully 84% of US payers and more than half of providers and EU payers say they are ‘not at all confident’ or ‘not very confident in biopharma’s claims about value. An almost equally high number of stakeholders say they are ‘not at all’ or ‘not very confident’ in the completeness and transparency of information biopharma provides to demonstrate value. This lack of trust may inhibit biopharma’s ability to gain influence or win support from stakeholders, even if their value messaging is genuine.

Healthcare decision-makers have indicated that proof of value will be a component of selecting treatment options going forward. Therefore, for biopharma to remain competitive and continue to take new treatments into the marketplace, they would do well to work collaboratively with other stakeholders to develop the trust necessary to support greater data transparency across the industry.

Lack of trust in their claims may inhibit biopharma’s ability to gain influence or win support from stakeholders, even if their value messaging is genuine.
US PAYERS are more skeptical than their European counterparts about the data biopharma is providing them.

**CONFIDENCE IN BIOPHARMA’S DATA**

NOT AT ALL / NOT VERY CONFIDENT in biopharma’s

**CLAIMS ABOUT VALUE**

<table>
<thead>
<tr>
<th></th>
<th>US PAYERS</th>
<th>EU PAYERS</th>
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<tbody>
<tr>
<td>Claims</td>
<td>84%</td>
<td>54%</td>
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NOT AT ALL / NOT VERY CONFIDENT in the

**COMPLETENESS & TRANSPARENCY**

of information that biopharmaceutical companies provide to *demonstrate value*.

<table>
<thead>
<tr>
<th></th>
<th>US PAYERS</th>
<th>EU PAYERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completeness &amp; Transparency</td>
<td>63%</td>
<td>41%</td>
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NOT AT ALL / NOT VERY CONFIDENT in the

**RELIABILITY**

of the information that biopharmaceutical companies provide to *demonstrate value*.

<table>
<thead>
<tr>
<th></th>
<th>US PAYERS</th>
<th>EU PAYERS</th>
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</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>74%</td>
<td>44%</td>
</tr>
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</table>
TAKE ACTION: IT’S TIME TO CLEAN UP YOUR IMAGE

1. **WORK WITH STAKEHOLDERS TO DEFINE VALUE:** If you want to influence the value conversation, you first need a baseline understanding of how customers define value. To get that baseline, meet with colleagues and peers across the industry to establish clear definitions for value that work for all players, as well as the requisite measures to demonstrate success.

2. **CHANGE THE CONVERSATION:** You can’t force industry players to change the way they think, but you can persuade them to change their perceptions through actions that demonstrate an interest in value as it pertains to the entire healthcare community. Participate in grassroots efforts, partner in real-world research, and publicly support local projects and communities in regions in which you want to be perceived as a value leader.

3. **EMBRACE TRANSPARENCY:** Healthcare stakeholders are being forced to compete in a more transparent and consumer-oriented marketplace, which will in turn sharpen the value focus. To compete in this environment, stakeholders must embrace transparency and agree to share information for the collective good. When you partner with industry influencers—and create transparent and open lines of communication—you can jointly make the case for value statements that best align with your core goals.
Conclusion

The healthcare industry has moved from a system that focuses solely on efficacy and safety to one that focuses on the triple aim of improving population outcomes, improving quality and reducing costs. Like it or not, industry members have no choice but to embrace this change.

The individual stakeholders within the healthcare industry, including regulators, payers, providers, physicians, biopharma and patients, each have a different definition of value. To succeed in the new value-driven environment, biopharma needs to develop products that represent value to the range of customers, and craft compelling arguments that demonstrate all three value propositions to each of these groups. This can only happen if all three elements of value are recognized as measures of success from the beginning of the discovery and development process, and are drivers of decision-making across the lifecycle of each program.

Consideration of value must pervade every phase, and results must be shared publicly to demonstrate both the benefits of the treatment and the integrity of the data that support it.

The data used to tell the value story must be compelling, and they must include economic value as a defining factor. Payers and providers will increasingly consider cost as a measure of value when combined with effectiveness in comparison to existing products. New treatments will only stand up to this level of scrutiny if they deliver substantial improvements over the current standard of care at an affordable price.

The move to a value-driven healthcare economy will not be easy for biopharma, nor any other group within the healthcare ecosystem: such an economy has many facets, lots of stakeholders and a heightened demand for information and proof. Nonetheless, this move is vital. When biopharma companies prioritize, measure and communicate value as part of their treatment development process, they will drive innovation and foster improvements that will propagate across their own business and the entire healthcare industry.
TAKE ACTION: BECOMING A VALUE-DRIVEN ORGANIZATION

1. MAKE VALUE A DRIVER OF EVERY DECISION. Success in the biopharma industry going forward will be defined by the value proposition of treatments. As such, your organization needs to be able to demonstrate and communicate value, as it is specifically relevant to each stakeholder group.

2. FOCUS ON TRANSPARENCY. The only way to gain buy-in for your value definition is through open honest conversations with healthcare stakeholders across the industry, a willingness to share information and ideas, and engage in collaborative projects designed to achieve far reaching common goals.

3. THINK LOCAL. The definition of value will vary across geographies and patient groups as well as stakeholders. The value message must be adapted to accommodate these varying viewpoints to optimize marketing results.
REFERENCES
ABOUT THIS REPORT
Quintiles launched its industry surveys and reports in 2010 to offer perspective and insight into key topics that are relevant to our customers. Quintiles continues to commission regular surveys in an effort to better understand the dramatic changes that occur within the drug development landscape. This report is based on a survey of biopharmaceutical executives, managed care executives and providers in the US, and payer organization executives in France, Germany, Italy, Spain and the United Kingdom. Market Probe conducted the survey on behalf of Quintiles and was responsible for all survey design, data analysis and data reporting. Data for the survey were collected online between 30 April and 30 May, 2013. Survey sample respondents included: 102 biopharmaceutical executives at the vice president level and above; 68 managed care executives in the US at the director level and above; 75 executives (director or above) from European payer organizations; and 53 executives from US provider organizations.

ABOUT QUINTILES
Quintiles (NYSE: Q) is the world’s largest provider of biopharmaceutical development and commercial outsourcing services with a network of approximately 28,000 employees conducting business in approximately 100 countries. We have helped develop or commercialize all of the top 50 best-selling drugs on the market. Quintiles applies the breadth and depth of our service offerings along with extensive therapeutic, scientific and analytics expertise to help our customers navigate an increasingly complex healthcare environment as they seek to improve efficiency and effectiveness in the delivery of better healthcare outcomes. To learn more about Quintiles, please visit www.quintiles.com.

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