



Ulf Staginnus, editor adjunto de la ReES

The Pharmaevolution

Dear Readers,

It is a challenging time for the pharmaceutical industry, with recent announcements of more job cuts at GSK R&D and the latest news of Pfizer abandoning research on key areas of the past, such

as cardiovascular, bone health and obesity. In addition, strategic actions are now being taken in order to overcome the in sustainability of the old business model coupled with an increasing pressure on the cost of drugs through government health technology assessment agencies and payers.

Concentration of high need areas and adding new skills to the organizations - "market access" - are fashionable at the moment. In the end, whatever you want to call it, the matter comes down to evidence development and creation of convincing data to payers, which will have a remarkable impact on how successful business is done in future years and who will gain a competitive advantage. As a result, skills and experiences that are related to understanding this new environment are now in high demand. In particular, those individuals who comprehend not only payer business models but also how the decisions of these organizations are affected by outside influencers will be invaluable in determining the future pricing and positioning of drugs.

The gradual shift by payers to an "outcomes-based" analysis or "risk-sharing" agreements as recently proposed by the UK NHS is further complicating the cost/benefit analysis of R&D investments. This shift will increase pharmaceutical company risk because it will

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make it much more difficult to exactly forecast the expected revenues generated from the drug portfolio under development.

Payers do not yet have sufficient data to conduct such

analyses on a wide-scale basis, nor is it easy for the industry to provide such data at the time of launch, at least not comprehensively in most cases. Maybe in the near future, as physicians and hospitals shift to electronic medical records, it will be easier to collect the required data.

Just as the R&D areas of pharmaceutical and biotech companies must undergo significant changes, so too will marketing and commercialization. A shift from the "physician-prescriber" to a "stakeholder-payer" model will make the ability to influence payers of paramount importance to drug manufacturers. Consequently, these companies will need fewer people whose primary added value is being able to access physicians. Instead, they will seek individuals who are very sophisticated in working with payers to position and price their products. The industry is in for a big change and that may also open up great opportunities for those companies that manage to concentrate their development on unmet needs areas coupled with a different approach to product commercialization and pricing. It will therefore be very interesting to see how the industry shapes up over time and some significant adaptation is still to be done, however the very good news is that a similar meltdown like in the banking sector is more than unlikely.