

Model N

More Revenue. Made Simple.

“PRICE CONTROLS AND PROCESSES
are practically NON-EXISTENT”.

VP Marketing, Respiratory Products

“Courtesy pricing is extended. But often a
new contract never gets negotiated and the
courtesy price is forever.”

Director, Trauma Products Marketing

“20% of SKUs drive 80% of
revenue, yet all are sold the
same”.

VP, Finance

“We not only have to police our customers, we
have to police our own sales force.”

VP, Contract Ops, Primary Care Sales

“**Cross-selling with other divisions** should be an opportunity to help reps drive the
standardization conversation.”

SVP, Integrated Networks and Corporate Accounts

The business case is compelling

- Revenue leakage causes companies to lose nearly **4.4%** of overall revenue annually. As an industry, that is more than **\$11** billion yearly.

-- Source: IDC

- More than **20%** of contracted LS revenue is exposed to revenue loss. For worst-in-class companies contract exposure surpasses **80%**.

-- Source: Life Sciences Revenue Management Excellence Benchmark Study (2012)

- Getting pricing and rebating correct pays back in as little as two years. After go-live, pricing decisions on a key product saved more than **\$4** million annually.

-- Gartner: Customer Case Study



Business Impact

- Inability to analyze transaction-level pricing, costs companies 1.5%-2.5% in gross margin.

Source: Yankee Group Benchmark Study

- Price erosion alone costs high tech companies 1.6%-2.3% in gross margin.

Source: Accenture

- Errors in reconciliation of channel incentives can lead to 10% in overpayment to channels.

Source: Yankee Group Benchmark Study

- 1% cost reduction yields 4% in margin, 1% improvement to pricing yields an 11% improvement in margin

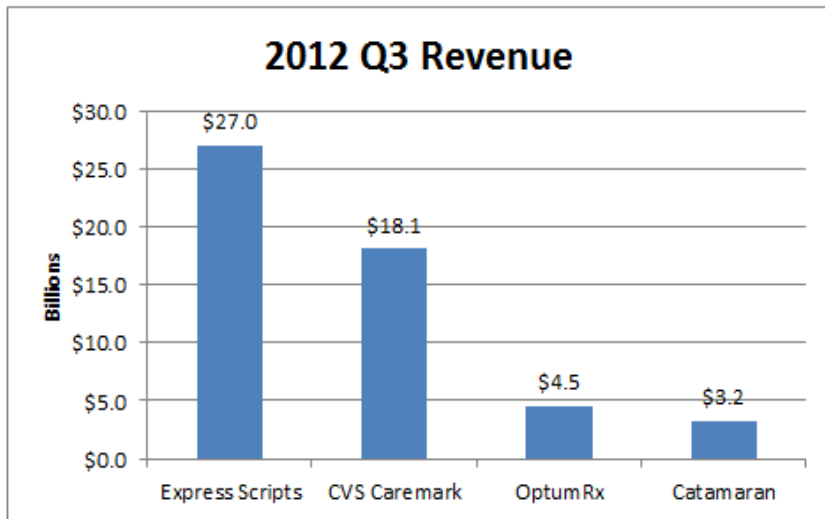
Source: McKinsey, Pricing Best Practices



Resulting in Staggering Rebate Dollars Being Paid Every Year

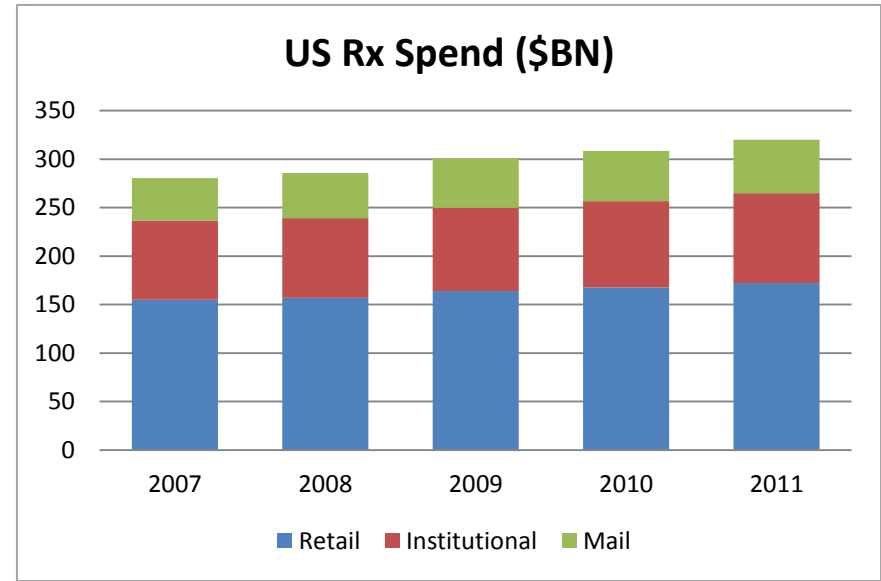
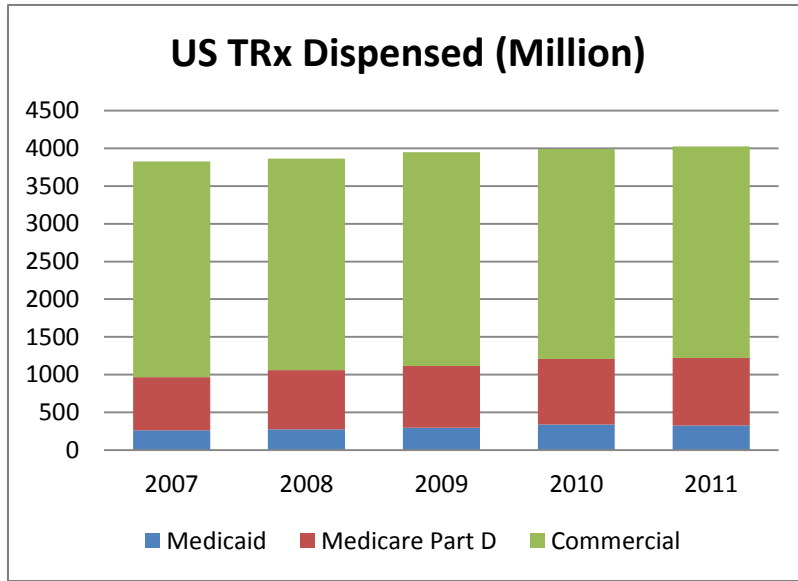
Company	Rebates \$ (In Millions)	Error Rates*	
		2%	5%
AZ	\$ 7,700.00	\$ 154.00	\$ 385.00
Pfizer	\$ 5,600.00	\$ 112.00	\$ 280.00
Novartis	\$ 3,221.00	\$ 64.00	\$ 161.00
GSK	\$ 2,644.00	\$ 53.00	\$ 132.00
Amgen	\$ 1,592.00	\$ 32.00	\$ 80.00
BMS	\$ 1,288.00	\$ 26.00	\$ 64.00

* Rebate overpayments are illustrative, and do not represent actual rebate savings



- Pharmaceutical manufacturers pay **billions of dollars to PBMs and Managed Care Payers** based on prescription data
 - ESI/Medco, the largest PBM now manages over 1.2B scripts per year and carried ~\$1.8B manufacturer rebate receivables into FY 2011
- Rebates are contractually negotiated between parties - terms span the spectrum from simple to complex
- It is a well established benchmark that the pharma industry **overpays 2-5% in rebates due to insufficient processes and tools to scrub Rx Data**
- **Costing manufacturers millions of dollars every year**
(see illustrative example)

Number of Scripts and Total Rx Spend Also on the Rise



- US Script volume continues to rise with over 4 Billion Scripts written in the US in 2011
- Total Prescription spend has increased from \$280.5B to \$319.9B since 2007
 - Despite cost reducing factors including a 13% increase in generics and a 14% increase in mail order Rx's, and a significant shift of over 200M scripts to government programs including Medicaid and Medicare Part D

Source: *The Use of Medicines in the United States: Review of 2011*
IMS Institute for Health Informatics