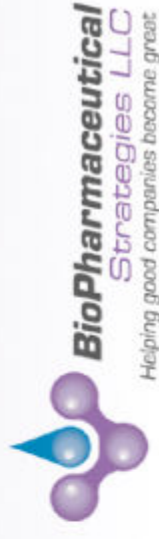


# Will data restriction have an impact on Incentive Compensation and if so how?

Dick Rylander  
President BioPharmaceutical Strategies LLC  
November 14, 2006



# In this talk we will...

- Discuss the impacts data restriction could have on sales forces
- Explore how those impacts could affect Incentive Compensation (IC) strategies
- Outline possible approaches to dealing with the various scenarios
- Provide questions to ask and things to consider to create your own customized plans

# More questions than answers

- I've spoken to various people within the industry, read articles and reports
- Depending on who you talk to the consequences of data restriction can be devastating or minimal
- We will try to come up with some suggestions today...but...we'll give you questions to ask when you get back to the shop

# Why are you paying incentive's?

- Because everyone else does?
- We need to because the marketplace requires us to (to be competitive)?
- Everyone expects it?
- It's a motivational tool?
- It's a way to reduce salaries?
- It rewards only if we are successful?

# Pay an IC Plan because...

- ✓ It helps you achieve your goals & objectives
- ✓ It produces activities or behaviors that would not otherwise occur (assuming that those are the efforts that will be productive)
- ✓ It rewards those who actually are key to producing the results
- ✓ It produces an ROI that meets your need
- ✓ Check my web site for an IC Presentation:  
[www.bpstrat.com](http://www.bpstrat.com)

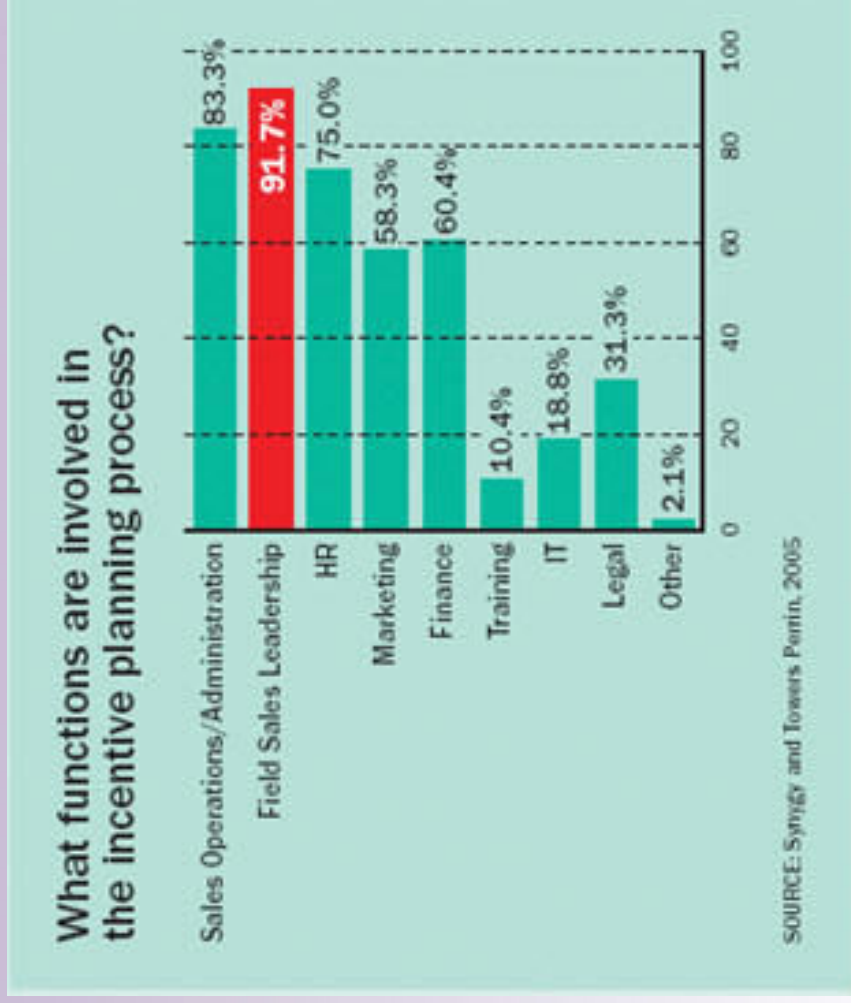
# Baseline

- How many of you use physician level data to calculate incentive comp?
- How many of you are involved in establishing or administering incentive comp at your company?
- How many of you have spent time within your company discussing the impact data restriction might have on incentive comp?
- How many of you have a contingency plan in place to deal with incentive comp if data restriction becomes a problem?

# Baseline

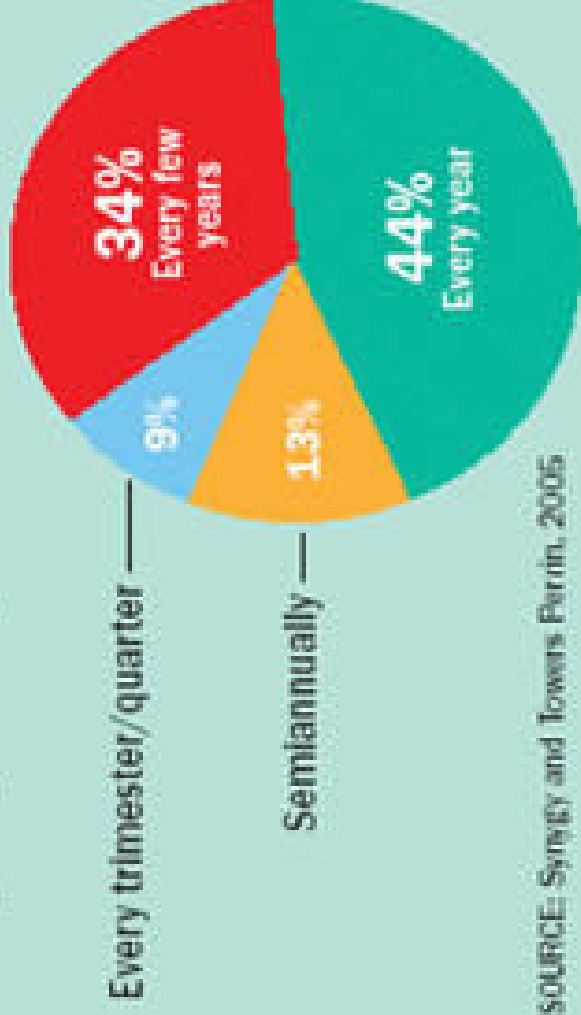
- How often do you review you incentive plan?
- Do you have more than one incentive plan?
- Do you treat different sales groups or sales forces differently?
- How important is the incentive plan today as a % of the fields income?
- Why do you have an incentive plan?

# Synergy/Towers Perrin 2005 Study



# Synergy/Towers Perrin 2005 Study

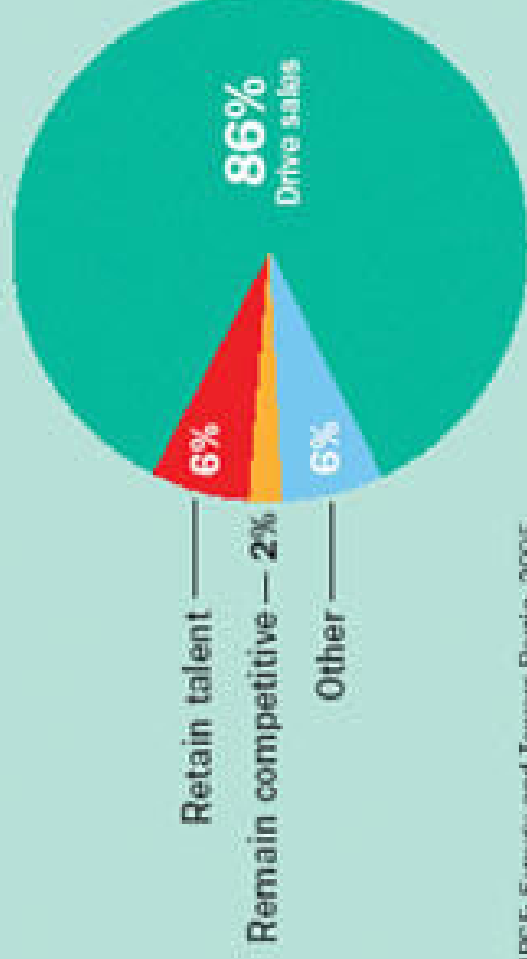
Typically, how often does your company change the incentive plan?



SOURCE: Synergy and Towers Perrin, 2005

# Synergy/Towers Perrin 2005 Study

What is your company's primary objective for sales incentive plans?



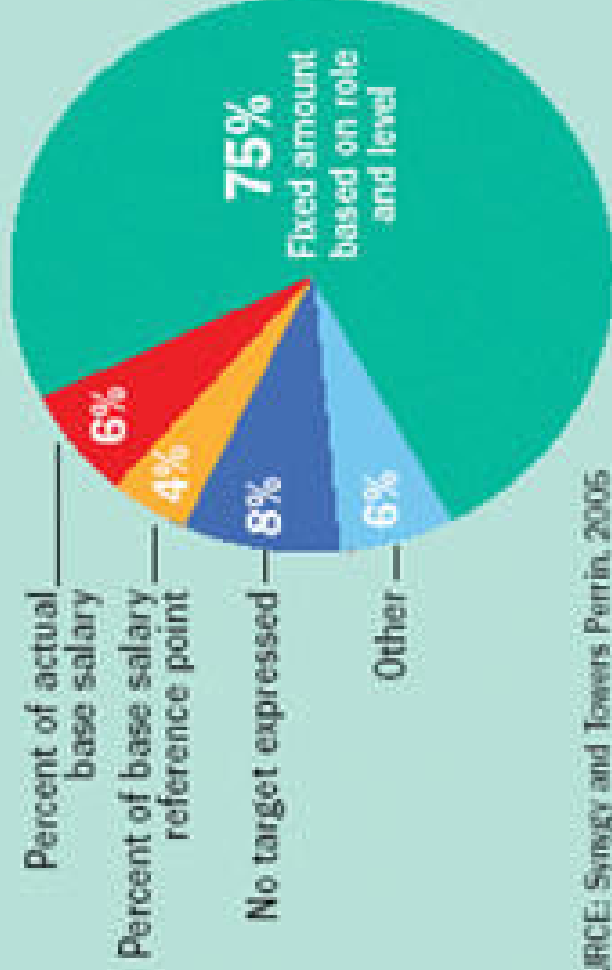
SOURCE: Synergy and Towers Perrin, 2005



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# Synergy/Towers Perrin 2005 Study

How are target incentives expressed?



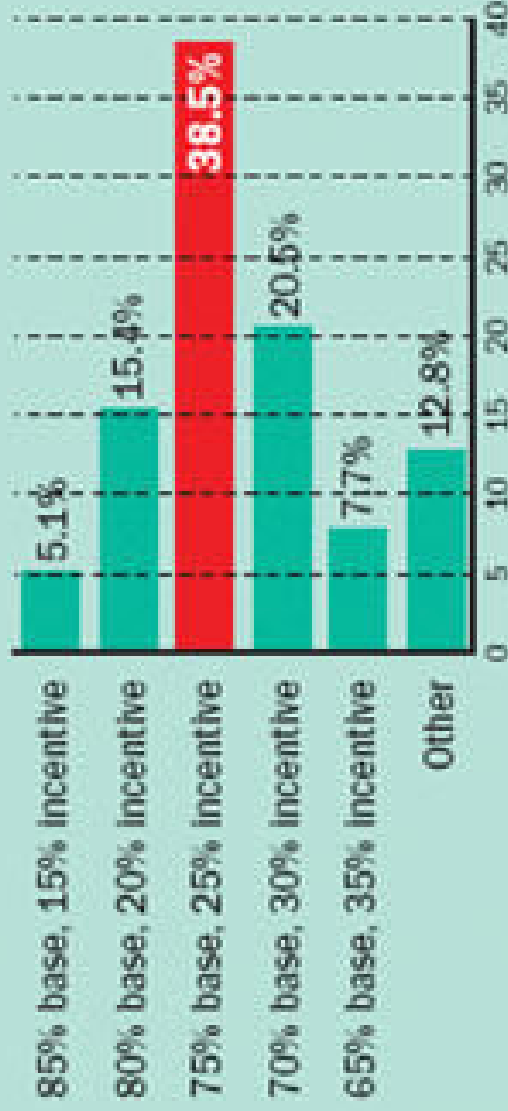
SOURCE: Synergy and Towers Perrin, 2005



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# Synergy/Towers Perrin 2005 Study

What is the pay mix at target for Primary Care Representatives?



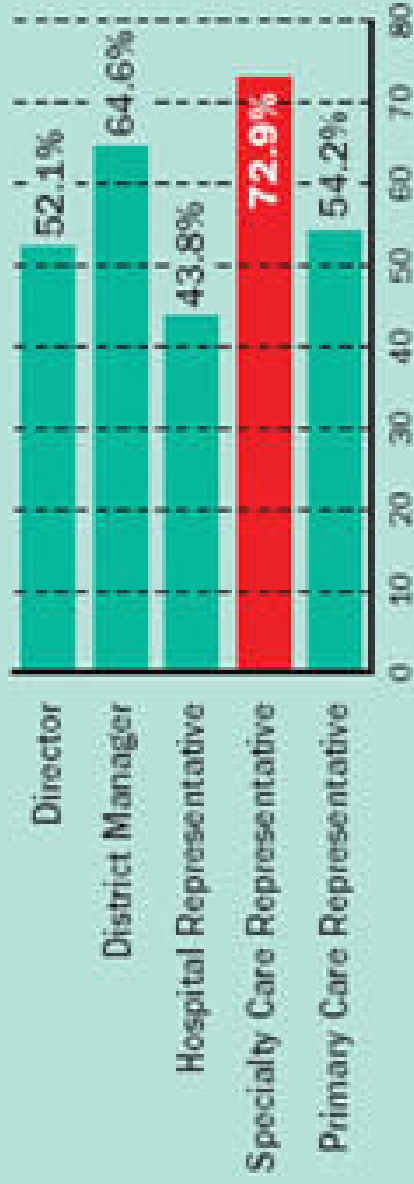
SOURCE: Synergy and Towers Perrin, 2005



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# Synergy/Towers Perrin 2005 Study

For which of the following roles do you have a quota or a goal-based plan?



SOURCE: Synergy and Towers Perrin, 2005



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# Assumptions about data restriction

- ✓ The field sales force (reps and managers) will have reduced, limited or no access to prescriber level data
- ✓ Corporate level access is unimpeded for planning (they can tell the field who to call on, how often and what message to deliver) but it can't be shared with the field organization

# Questions to ask and consider

- Will there be trust issues that develop when the field doesn't have access to data?
- Will the lack of granular data impact field effectiveness and if so how?
- Will this encourage alternate forms of promotional efforts and if so what?
- Will the sales presentations need to be altered with more probing questions?
- Will the CRM system take on a more critical role?

# Questions (cont'd)

- Will the amount of time with the prescriber change (increase or decrease)? [Less information to begin with may increase the need to gather it on each call]
- Will those who “opt-out” stop getting samples, invitations to programs, etc.?
- Will the autonomy of the field force change?
- Will they be more directed (told what to do, how and when) and thus require a different type of rep?



# Questions (cont'd)

- Will there be a shift in the salary/incentive mix with more companies moving to a salary (no incentive) basis?
- Will data restriction accelerate the trend toward sales force downsizing?
- Will prescriptions and sales decline due to changes in motivation, effort, rep turnover, etc.?
- Will this affect the types of people who are attracted to the sales role and in doing so fundamentally affect entire companies?

# Will data restriction impact Incentive Compensation Strategies?

- The answer is...maybe...IF...
  - A sufficient # of total prescribers “opt-out”
  - A significant # of prescribers in a disease state “opt-out”
  - A large enough group in a geography “opt-out”
  - Manufacturers can’t find a way to deal with the restrictions and their impact on field personnel
  - If a State(s) blocks data

# Let's explore the implications on sales forces

- **IF** data restriction is widely implemented and **IF** a sufficient # of prescribers “opt-out” the impact could devastate sales force strategies
  - If a company's product(s) are currently heavily influenced by promotion and incentives are paid based on share growth, sales or other measures and data is restricted or severely limited reps may leave

# Implications on sales forces

- The type of person drawn to a pharma or biotech job is frequently looking for:
  - Recognition
  - Rewards
  - Advancement
- If the data is restricted these (and other factors) may be difficult to recognize and reward performance

# Implications

- Increased turnover could lead to lost sales, share and relationships
- Turnover means higher costs in finding, hiring and training sales reps and managers
- New reps are generally less effective for their first 1-2 years which could lead to reduced performance

# Implications

- Contests
- Award programs
- Performance reviews
- Goal setting



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# Thresholds?

- At what point does the blocked data impact your ability to report and calculate?
  - 5%
  - 25%
  - 33%
  - More?
- In early July a Maritz poll showed that 18% of MD's knew of the PDRP but that 53% said they would “opt-out” if available (<http://www.maritz.com/newsreleases/maritz-few-doctors.html> )



# Maritz Poll Findings

The following percentages of doctors found the indicated uses appropriate or very appropriate:

Percentage of doctors	Appropriateness of using prescribing data for each activity (4 or 5 on a 5-point scale, where 5 is “very appropriate”)
50 percent	Ensure provision of sufficient patient education materials
49 percent	Ensure provision of appropriate number of samples
44 percent	Assess impact of new clinical information on prescribing practices
38 percent	Identify physicians for participation in market research
33 percent	Identify physicians for educational activities/programs

# Thresholds

- Is the data limited by:
  - Zip code?
  - Territory?
  - Region?
  - National?
  - Specialty?
  - Disease?
- How sensitive are your product markets?
- You must, investigate and establish a plan



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# Current IC Payout Methods

- Let's explore several current payout methods and see how data restriction could impact them
- This assumes a single product. Multiple products with a reps responsibility with different types of impact or payout methodologies may alter the outcomes

# Share Change

- If you pay based on share growth:
  - Can you still get the data?
  - What if some states totally blocked data while only some doctors in other states opted out?
  - How critical is sharing the data with the field if you use this method?
  - You may need to aggregate at the zip or territory level, do the calculations and pay out
  - Be prepared with a communication plan to answer questions and concerns about accuracy

# Sales Change

- If you pay based on gross sales increase
  - Where are you getting the sales data from now? Can you still get it?
  - Will the frequency of access to data change?
  - You should have no problems so long as you keep it above the individual physician level reporting

# Prescription Change

- If you pay based on the Rx growth:
  - Same questions as share change
  - Zip or total territory would work



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# Specialty Forces vs. PC

- Do you have Primary Care (PC) forces as well as specialty?
- Will the restrictions impact them equally or differently and if so how?
- Will you need different plans for different sales force groups?

# Europe

- How many of you have any experience with data in the EU?
  - They have long had limited access to physician level data
  - They have had to aggregate the data into “bricks” that de-identify prescribers.
- Example the IMS program in Germany called the “1860 Brick Structure”

# Europe

- How has the restriction impacted them?
  - Less focused promotional efforts
  - More “estimates” of individual impact
  - Increased costs of promotion
  - Forced decisions on who to promote to



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# Solutions and Approaches

- Arrowhead Publishers “The Prescribing Data Restriction Program: Critical Assessment and Best Practices” suggests that there may be 3 approaches:
  - 1) Universal territory level calculations so everyone is in the same boat
  - 2) If you have a Sales Force Effectiveness group have them perform the calculations but don't provide details to the field
  - 3) Don't use Rx data at all

# Approach #1

- 1) Determine what your “threshold of impact” is
- 2) Define two (2) plans
  - 1) One below your threshold
  - 2) One above
- 3) Create a working team of your field colleagues and show them what you are doing and why. Get their input and feedback
- 4) Create alternate plans
- 5) Clearly communicate the plans to the organization and explain the challenges and why your solutions are best

# Approach #2

- Create your own “Brick” system
  - Take the data at the corporate level
  - Package it into “bricks” that can be communicated with the field
  - Use those “bricks” to pay incentives
  - This takes care of any future restrictions and solves the continuing need for IC

# Approach #3

- Identify the challenge areas (states?)
- Define what you believe your reps can impact
- Determine if you can measure and report on that/those parameters
- Decide if you want to reward on that/those factor(s).
- Build a plan that lets you reward based on the data you can get (zip or state likely)



# Approach #4

- Consider moving to a salary (95%?) + corporate performance (5%?) system
  - Given the increasing scrutiny by government agency's on promotion you need planned presentations following specific guidelines
  - You need people who can communicate specific information, in a short period of time and develop relationships for access
  - You may need a new type of rep



# Approach #5

- Do nothing
- Make no changes
- Assume there will be no impact or that it's negligible

# Reality

- One or more states will, at some point, impose (either permanently or temporarily) data restrictions that will impact your ability to pay incentive compensation
- You **MUST** prepare for this eventuality. You **MUST** come up with an alternative method that you can run in parallel (when it's not needed) to make sure it works and accomplishes what you want

# Recommendations

- Define what you want to accomplish (sales, share, Rx's, etc.)
- Define the frequency of data availability
- Determine if you can uniformly measure and report the data
- Identify pockets of difference that you believe will cause issues and make a decision on whether to treat these differently or not
- Create your incentive plan to support achievement of your goals
- Test...test...test
- Complete a mid year review
- Start planning for adjustments in the Aug/Sept time frame for the next year (assuming it's calendar)
- Make sure that whatever you do pays based on the results you want and can report on

# Summary

- Each and every situation is unique
- There are no simple answers
- A thorough review and modeling of potential impacts must be done with alternate plans for each scenario
- Planning for the impact on your field force is critical to managing the impact on the entire tenor of the organization
- By creating alternative approaches NOW you are prepared for the future