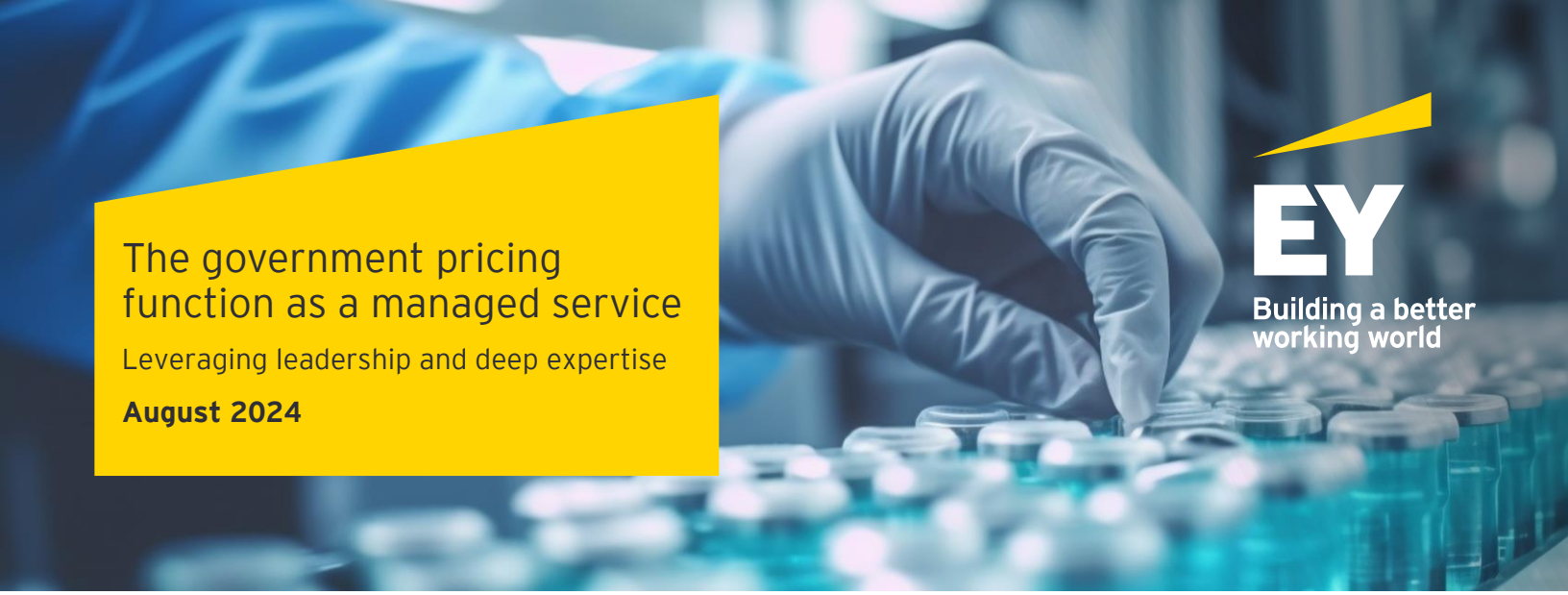

The government pricing function as a managed service

Leveraging leadership and deep expertise

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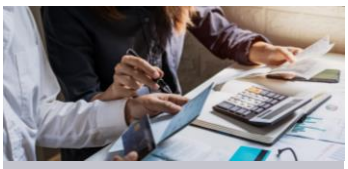
EY
Building a better working world

Many manufacturers are turning to government pricing (GP) managed service operations (MSO) providers to manage costs and mitigate regulatory, financial and technology risks. Whereas partnering with an MSO has historically been more common for emerging and smaller pharma, which tend to also use MSOs for other recurring operations, mid- to large-cap pharmaceutical manufacturers are seriously evaluating the benefits of utilizing MSOs for parts of their revenue management technology and operations to qualified MSOs.

This article outlines essential questions that manufacturers should consider when selecting a trusted GP MSO, with the intent of helping to enable manufacturers in making more informed decisions and optimizing their pricing strategies, while reducing operational burdens and risks.

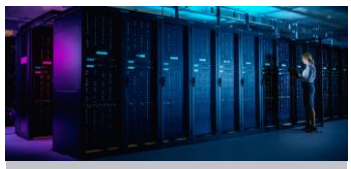
Ensuring compliance with the constantly expanding and evolving regulatory environment surrounding participation in government programs is a daunting task. Many US pharmaceutical drug manufacturers are turning to GP MSOs to curb costs and mitigate risks. Price reporting requirements can be onerous — complex pricing methodologies; high volumes of data; and for some manufacturers, unsystematic, inconsistent and nonstructured data — making it challenging to consistently generate compliant government prices. Due to continual focus on meeting short submission deadlines, processing difficulties and dwindling resources, manufacturers continue to be challenged with devoting enough time to effectively analyze GP calculation results before submissions are due. Manufacturers recognize that there is a sensible alternative to develop and maintain highly specialized systems and operators in house, and partnering with trusted providers is an obvious choice for some. While it has been more common for emerging and smaller pharmaceutical companies to enlist MSOs to manage various GP recurring operations, mid- to large-cap pharmaceutical manufacturers are now seeking more efficient solutions and recognizing the significant advantages of turning to an MSO for specific aspects of their revenue management technology and operations to qualified MSOs. For large pharmaceutical manufacturers with diverse portfolios and complex operations, engaging qualified MSOs translates into streamlined processes, better risk management and improved overall operational efficiency.

Value in employing an MSO for the government pricing function



Cost and risk reduction

MSOs offer a way to reduce costs and manage compliance risks effectively.



Avoidance of in-house system implementation

Manufacturers may prefer not to invest in developing new in-house systems or bolt-on technology, or assuming additional compliance risks.

Focus on core objectives

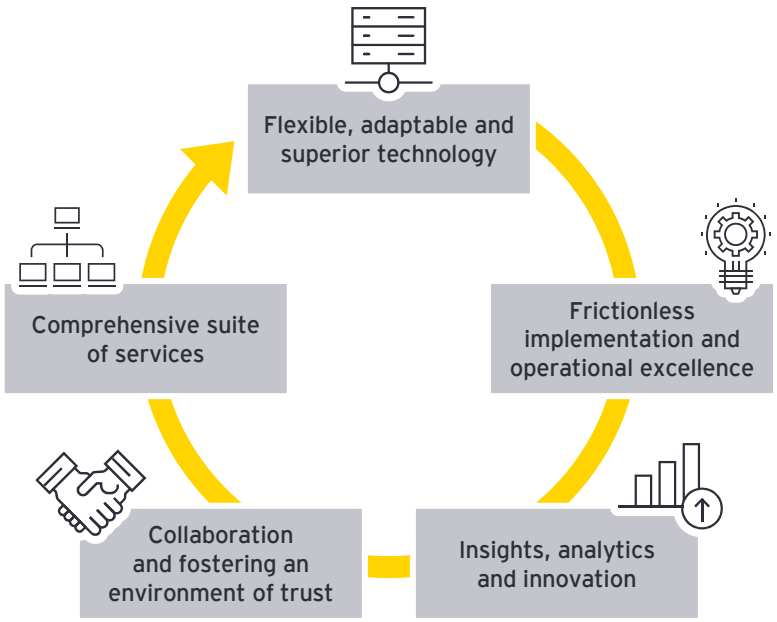
Limited in-house subject-matter expertise allows manufacturers to prioritize their primary business objectives, such as growth.

Expertise in compliance programs

MSOs enables access to specialized expertise in implementing compliance programs, including designing and managing upstream processes that directly impact the GP function.

When selecting a trusted provider to manage the GP function, manufacturers should consider the complexity of the calculation methodology, the provider's expertise in regulatory knowledge and the technological capabilities of the provider. The following questions are essential for drug manufacturers to address when choosing a trusted provider:

- Does the provider offer a **comprehensive suite of pricing services** that cover all requirements and calculations related to federal health care programs, including Medicaid, Medicare, 340B, Veterans Affairs Federal Supply Schedule and TRICARE?
- Is the provider's **implementation approach flexible and adaptable** to the manufacturer's specific needs, evolving business characteristics, and changing government rules and regulations?
- Does the provider possess **superior technology** in terms of scalability (ability to handle any volume of data and products), power and analytic capabilities compared with other offerings in the market?



- Do the provider's **analytics tools** effectively make sense of data, allowing for the consolidation of meaningful trends supporting the organization?
- Is the provider's **technology proven and battle-tested**, with a track record of years in business and extensive experience dealing with voluntary disclosures or government audits?
- Does the provider offer a **frictionless implementation** process that requires minimal effort, reducing risk and ensuring higher service levels?
- Will the provider bring **subject-matter expertise and leadership**, ensuring proper oversight of less experienced individuals throughout the implementation and beyond, as well as providing the necessary mix of skilled individuals and technical capabilities to navigate the challenges and maintain compliance within the GP regulatory environment?

Key takeaways and action items

By choosing an MSO to manage the GP function to a provider, drug manufacturers can benefit from the provider's experience in addressing operational challenges and emerging issues on a daily basis. Manufacturers should expect more than just accuracy and operational excellence from an MSO; they should select a partner that assembles a team of dedicated and experienced professionals committed to delivering actionable insights from analytics outputs and fostering innovative thinking.

Ernst & Young LLP contacts

Alexandra Mooney Bonelli
Principal
+1 212 773 4733
alexandra.mooney@ey.com

Eliza Biedziak
Senior Manager
+1 202 327 8956
eliza.biedziak@ey.com

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