



Gross-to-Net Profit Leakage Analysis

A Case Study

What is our Gross-to-Net Profit Leakage Analysis?

Our drug gross-to-net profit analysis identifies potential lost profits, referred to as “leakage”, that may have occurred in different places in the distribution channel. The analysis categorizes potential leakage from total wholesale acquisition cost (WAC) using data that you provide from different data sources and offers solutions on how to minimize or even eliminate the losses. The more data you can provide, the more concise the analysis will be of what is happening and who is causing it.

The largest sources of leakage typically involve Payers using rebates (discounts, price protection, data & portal fees), copay card buydowns and clinical management fees. Other external reductions may include wholesaler costs & chargebacks, product returns, prior authorization service fees, free goods and alternative funding among others. Our analysis investigates the data provided, but excludes internal business costs such as production, logistics, clinical support and other justifiable yet undisclosed expenses.

Should we have an analysis performed on any of our drugs?

Yes! Absolutely! Below is a case study performed for a pharmaceutical manufacturer that was trying to determine why they were not making as much profit as they expected. The findings were “staggering”.

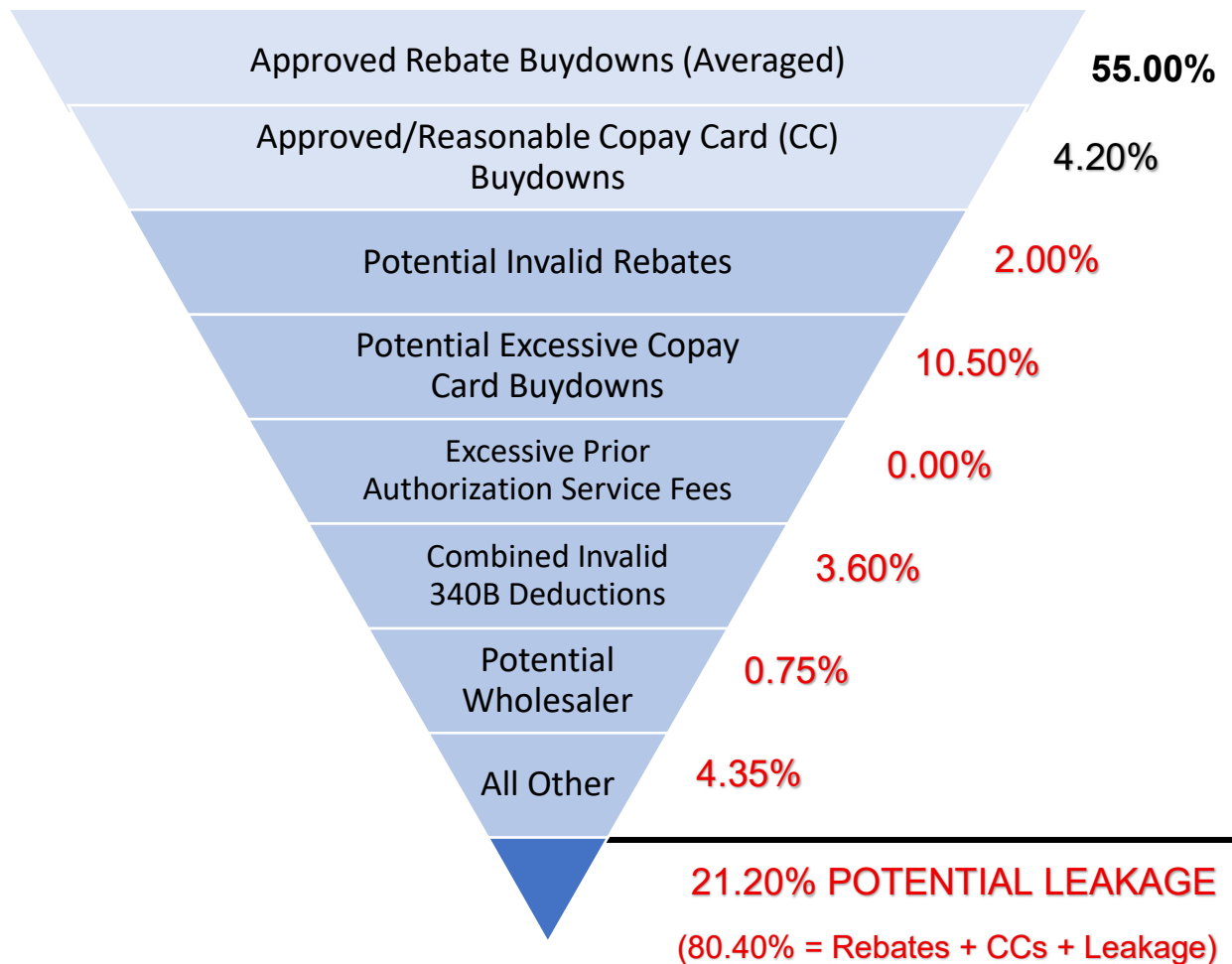
Case Study Overview – Annualized (rounded)

• Annual Total WAC Sales	\$20,000,000
• Annual # of Net Prescription Claims	25,000
• Approximate % of Total WAC Spend Analyzed	66.7%
• Approximate % of Commercial Claims (Claim Count)	76.4%
• Approximate % of Commercial Claims (Drug Spend)	75.1%
• % of Commercial Claims to Which Copay Card was Applied	45.8%

Potential Leakage Findings – Annualized (rounded)

• Potential Invalid Rebates – (<i>See below for 340B</i>)	\$400,000
• Unnecessary Copay Cards Charges – (<i>See below for 340B</i>)	\$2,100,000
• Prior Authorization Service Fees – (<i>Data Unavailable</i>)	\$0
• Potential Invalid 340B Rebates Paid	\$480,000
• Potential Invalid 340B Copay Cards Buydowns	\$240,000
• Alternate Funding & Unapproved Free Goods	\$300,000
• Excessive Chargebacks/Inventory from Wholesalers	\$120,000
• Other Findings	\$600,000

The funnel below shows the leakage (rounded) that applied to this particular analysis using the claims that were provided by the manufacturer:



Can you afford to give away 80.40% before your costs & expenses are paid?

Conclusions & Recommendations

Based on the findings of our analysis, we provided recommendations based on the data. Certain actions (such as eliminating rebates entirely) were clearly not feasible as it would certainly have impacted formulary placement and therefore sales. A card copay verbiage review was suggested. The recommendations were presented as options for management to consider based on their financial goals.

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