Medical Affairs – The Next S-Curve in Pharmaceuticals

2004 Pharma, Biotech and Device Colloquium

Michael Conway (michael_conway@mckinsey.com)
David Quigley (david_quigley@mckinsey.com)

McKinsey&Company
OVERVIEW

Medical Affairs is increasingly the third major source of differentiation, after R&D and Commercialization, to supplement traditional marketing activities.

Medical Affairs creates value and competitive advantage by engaging providers and managed care, and expanding development.

However, companies are finding it challenging to scale up Medical Affairs, while maintaining internal alignment and a coordinated interface to physicians.

To build a successful Medical Affairs capability, companies must ensure tight collaboration with R&D and Sales & Marketing, build in flawless execution, and attract and keep the right talent.
MEDICAL AFFAIRS IS INCREASINGLY THE THIRD MAJOR COMMERCIAL DRIVER FOR PHARMACOS

New external pressures

- New compliance guidelines are limiting marketing degrees of freedom
- Increasing demand for outcomes data for payors, and drug comparisons for physicians

Limits of traditional approaches

- R&D fully leveraged with new products and label expansion
- Diminishing returns from incremental expansion of sales and marketing tactics
## WIDE RANGE OF APPROACHES TO U.S. MEDICAL AFFAIRS

<table>
<thead>
<tr>
<th>Category</th>
<th>From . . .</th>
<th>To . . .</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting</td>
<td>Global R&amp;D</td>
<td>Dual report to Global and US</td>
</tr>
<tr>
<td>Interaction with brand teams</td>
<td>Support group</td>
<td>Fully integrated with brand teams</td>
</tr>
<tr>
<td>Interaction with global</td>
<td>Light touch global org ensures consistency</td>
<td>Fully integrated with Global Marketing</td>
</tr>
<tr>
<td>Budget</td>
<td>No separate MA budget</td>
<td>Dedicated budget for all activities</td>
</tr>
<tr>
<td>Focus</td>
<td>Tactical support to clinical &amp; commercial</td>
<td>Thought partner to brand teams &amp; development group</td>
</tr>
</tbody>
</table>

McKinsey & Company
BUT SOME KEY TRENDS EMERGING

**Reporting**

*Increasing separation from sales and marketing*

**Interaction with brand teams**

*Most struggle to develop integrated solutions and specialization*

**Interaction with global**

*Stronger linkages with enhanced global organizations*

**Budget**

*Increasing MA control over information dissemination budgets*

**Focus**

*Increasingly strategic*
# WIDE RANGE OF SCOPE OF MEDICAL AFFAIRS FUNCTIONS

<table>
<thead>
<tr>
<th></th>
<th>CME</th>
<th>Thought Leader Development</th>
<th>Drug Information</th>
<th>Outcomes</th>
<th>Trial Strategy</th>
<th>Medical Liaisons</th>
<th>Publications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Company B</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td></td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Company C</td>
<td>☑</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>☑</td>
</tr>
<tr>
<td>Company D</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
<td></td>
<td></td>
<td>☑</td>
</tr>
<tr>
<td>Company E</td>
<td>☑</td>
<td></td>
<td>☑</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

McKinsey & Company
MEDICAL AFFAIRS CREATES COMPETITIVE ADVANTAGE ON THREE DIMENSIONS

Drive appropriate medical use: Educating physicians based on all available data

Early and comprehensive engagement of providers:
• Allowing early consideration by thought leaders
• Engaging a comprehensive set of stakeholders
  – Peer to peer discussions
  – Involvement in clinical trials
  – Medical education

Building a differentiated product profile: Enhancing value of a drug to patients, payors, and physicians, e.g.,
  – Product attributes (clinical, cost, convenience, comfort)
  – Efficacy in sub-populations
  – Combinations
  – Direct comparisons
FOR THESE REASONS SIGNIFICANT GROWTH IS EXPECTED IN MEDICAL AFFAIRS

Source: Professionally Determined Need for Pharmacy Services in 2020 Conference

McKinsey & Company
COMMON CHALLENGES IN SCALING UP MEDICAL AFFAIRS

1. Consistently interpreting and complying with guidelines

2. Maintaining alignment between Medical Affairs, Commercial and R&D objectives

3. Ensuring interactions with providers are consistent with objectives and with sales and R&D activities

4. Attracting and retaining talented scientists and technical people, particularly mid-level leaders
POSSIBLE WINNING APPROACH FOR SCALING UP MEDICAL AFFAIRS

1. Balancing the organization tightly around posture

2. Building alignment through “a shared vision for the brand” that is developed collaboratively with Medical Affairs, R&D, and Sales & Marketing

3. Building processes to drive alignment of activities at a local market level and consistency with objectives

4. Creating a career proposition and trajectory, and ensuring salary commensurate with Commercial
TOUGH QUESTIONS

• Are you doing enough in Medical Affairs?

• How good is the work that is being done?

• What stops you doing more and doing it better?

• How excited are your people?

• How well do you work with R&D and Marketing?
Appendix
REACHING SATURATION POINT ON TRADITIONAL SALES AND MARKETING

Doctor time allocation

Percent

100% = ~14 hours per day
2 Time with reps
22 Administrative tasks
18 Patient care

Prevalence of policies that restrict representative access

Percent of physicians

Restricts number of reps per day
Restricts times or days reps can visit
Restricts details to appts./lunch only
Have policy

80% doctors estimated to have restrictive policies by end of 2002

“No more than three reps will be seen in a day, and if the doctor is busy, the representative must leave samples with the front desk while the staff obtains the physician’s signature. This policy became necessary because there were 10-15 reps calling on the office and interfering with our ability to see patients.”

– PCP Office Manager