

# Standardizing an FMV Process for HCP Payments Globally

19 October 2016 | Presented by Valerie Burkholder & Mario Prohasky

# Agenda

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**Creating a standardized global FMV process – challenges and solutions**

An industry perspective on FMV process standardization



# How do we create a consistent, global FMV process?

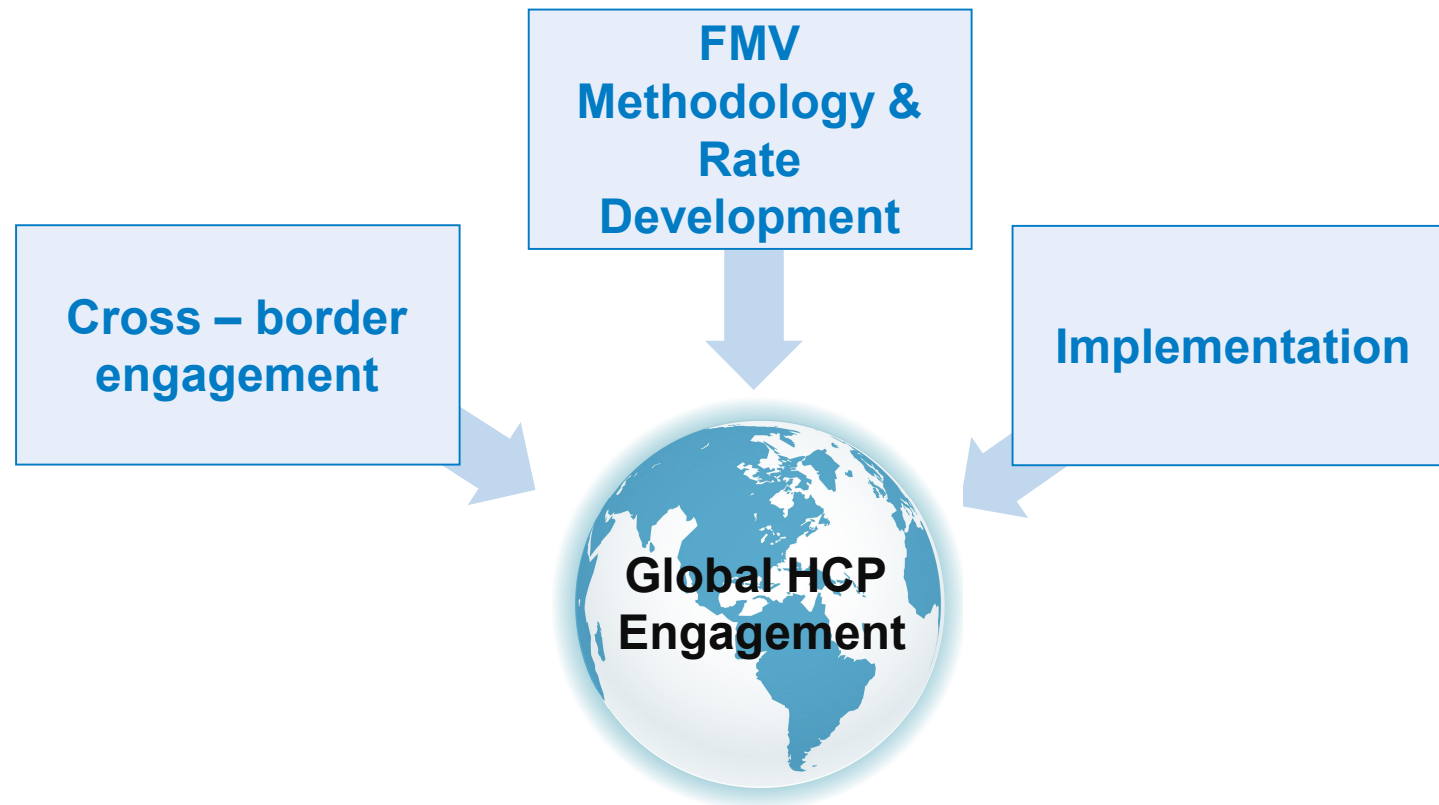
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<b>Need for consistent global FMV methodology</b>	<ul style="list-style-type: none"><li>• Commercial focus on emerging markets where compliance risk is high and rate determination more challenging due to lack of robust data</li><li>• Methodologies also need to take into account differences between countries with predominantly public vs. private/mixed healthcare markets</li></ul>
<b>Need for local buy-in</b>	<ul style="list-style-type: none"><li>• Global FMV process needs to be implemented at the local level while also taking into account disparate existing commercial and compliance practices</li><li>• Local ownership of process critical to ensuring a successful implementation</li><li>• Growing number of local regulations and industry codes need to be incorporated in process in order to facilitate buy in and compliance</li></ul>
<b>Cross-border HCP engagement</b>	<ul style="list-style-type: none"><li>• Global nature of life sciences business necessitates a strong process for cross-border HCP engagement</li><li>• Process needs to take into account regional/corporate level processes and business needs with local differences in FMV</li></ul>
<b>Scalability/Cost/Ease of Use</b>	<ul style="list-style-type: none"><li>• A global FMV solution needs to be scalable and cost effective across regions with inherently different business needs and compliance challenges</li><li>• Ease of use needed to make FMV an integral business process, particularly in countries where FMV is a new concept</li></ul>



# Global HCP engagement and FMV challenges can be distilled into three broad categories

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**A robust HCP engagement process should be consistent, repeatable and transparent**

# Methodology development and application needs to balance consistency with country-level flexibility

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Consistent yet  
flexible  
methodology

- Basic principles of FMV methodology need to be consistent across global affiliates
  - Need to establish common standards on key methodology components such as compensating for time and process for developing base FMV rates
  - Common standards also needed when determining broad HCP tiering criteria
- Methodology needs to **also** account for local market differences or industry code guidance as this relates to:
  - Compensation caps
  - Hourly Rate vs. Activity Fee Compensation
  - Types of activities for which compensation is permissible
  - Flexibility around compensation for travel time
  - Compensation by specialty vs. using single rate
  - Tiering criteria supporting documentation



# Increased frequency of cross-border HCP engagement necessitates effective governance at multiple levels

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## Cross-border HCP Engagement Governance

- Difficult to standardize planning and budgeting as well as HCP nomination process for cross-border activities
  - Local affiliates may use disparate criteria for selecting HCPs for participation
  - Spend capture for cross-border activities may not be in local country spend disclosure
- Consistent approach for compensating HCPs at cross-border engagements can also be challenging
  - Business goal to compensate all HCPs the same at such activities often made difficult by differences in underlining FMV rates base on country of practice
  - HCP may have different FMV for local versus cross-border engagements
- Lack of visibility between local-level and global compliance organizations can present a challenge

**Cross-border engagement risk mitigation strategies need to incorporate clear methodology principles and active communication between affiliate and corporate compliance stakeholders.**

# Implementing new FMV rates and processes poses challenges related to adoption and buy in

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## Effective practical Implementation

- Significant challenge in adopting a global FMV approach while at the same time ensuring there is sufficient buy in at the local level
  - Effective training needed at the local level
  - Cross-functional involvement needed
  - Rate implementation at the local level needs to be driven by local business and compliance teams
  - Commitment of local business leadership and of designated “Champions” needed
  - Process automation needs to balance global standardization with local implementation needs
- Defined management of exceptions
- Maintaining FMV based on country-specific macroeconomic conditions
  - For example, HCP FMV rates in Ukraine will require more frequent updates than rates in more stable markets

**Increasingly organizations are looking to empower the business to make decisions with Compliance providing oversight which facilitates FMV implementation and buy in**

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# FMV Methodology Challenges



Publications



Education



Research Experience



Board Certifications

Which professional qualifications are most important?



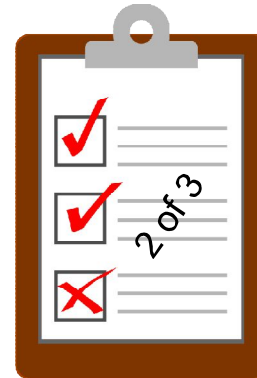
Awards



Leadership



Academic Appointments



Are qualifications equally important or are some more valuable than others?

Question 1	
Answer	Points
A	1
B	3
C	5
D	7
E	9
F	11
G	13
Question 2	
A	1
B	2
C	3
D	4

Checklist **VS.** Weighted



Benchmarking Sources



Specialties



Supplemental Travel Compensation

How will rates be determined?



How do we develop a unified FMV process for business areas with differing needs?



How often will FMV rates be updated?



What other challenges should we expect?



How do non-HCPs fit into the overall FMV strategy?

Which department will own FMV?



How will we handle exception requests?



How does our FMV process affect customer experience?



Cap Considerations



Hourly or By Activity



# The Path to a Unified FMV Process

- Identify Stakeholders
- Identify Professional Qualifications Most Important to the Business
- Determine How Qualifications Will Be Assessed
- Determine How Rates Will Be Assessed
- Determine How Other HCPs and Non-HCPs fit into your overall FMV Strategy

## Identify Stakeholders To Provide Input

We created a cross-functional group of individuals from marketing, medical, and research. Since we were unifying the FMV process across all three functions we needed representatives from all the functions to provide input.

*Remember, without representation from all sides of the business a one-size solution may not fit all!*

# Identify Professional Qualifications Most Important to the Business



## Education

- Level
- Years in field



## Research Experience

- Research Roles
- PI experience



## Publications

- Number of Publications
- Impact Journals



## Awards

- Well-respected by peers
- Cross-functional Representation



## Academic Appointments

- Tenure track
- Distinguished Professor
- Endowed Chair



## Board Certifications

- Number of Certifications
- OUS Certifications



## Leadership Opportunities

- National
- International

*These are just a few of the qualifications to consider. Let your stakeholders be your guide.*

## Determine How Qualifications Will Be Assessed

Are some qualifications more valuable than others or are they equally important?

- A checklist approach gives equal weight to all qualifications with the focus on the KOL meeting the *minimum* required for a particular tier.
- A weighted approach allows the business to determine which qualifications are most valued and gives you the flexibility to adjust the weighting should the business needs change

# Determine How Rates Will Be Set

- Benchmarking
  - Benchmarking methodologies vary by source. Some benchmark salary data, others benchmark what is currently paid to KOLs by your industry peers. Make sure you understand the method as well as the advantages and disadvantages of each method when applying benchmarking data.
- Should you pay hourly or by activity?
  - Paying *either* hourly or by activity is one way to simplify FMV. If you are paying hourly for one type of service and by activity for another it can cause confusion for the KOL and make budgeting more difficult for the business. Choosing one type of rate will make it simpler.
- Should specialty factor into your rates?
  - Some specialties are in high demand or have a limited number of KOLs which could impact your decision to apply rates by specialties. It's important to utilize benchmarking data when setting specialty rates and apply consistently for both speaking and consulting.

# Determine How Other HCPs and Non-HCPs Fit Into Overall FMV Strategy

Do not restrict yourselves to physicians. PhDs, Nurses, Pharmacists, Payers and Patients may require additional thought to ensure their unique qualifications are not overlooked. Looking through a physician-only lens can cause you to select qualifications a non-physician cannot attain. Use the same criteria to assess these individuals where you can, but do not be afraid to include specific qualifications to ensure you are valuing the very expertise you desire in them.

It is possible, if not preferable, to have a unified strategy that includes both HCPs and non-HCPs.

## FMV in One Sentence...

FMV process should be objective, consistent in methodology and application, defensible, and documented.



# Contact information

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