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(R)EVOLUTION IN HEALTHTECH: PHARMA COMPANIES MUST TAKE THE REINS

The past: pharmaceutical companies' traditional business models

Historically, pharmaceutical companies' main way of helping patients live better was to develop new drugs by investing in R&D, a costly process that could take over a decade, and then to transform these molecules into packaged products. These packaged products were then promoted to healthcare professionals (HCPs), and paid for either by public payers, by private insurance companies, by other actors or by patients themselves depending on the country.

The "blockbuster drug model" is no longer working to achieve the overall goal of improving patients' lives. First, the drug research and development model that has sustained the industry for so many years is no longer valid. Many of the previous "blockbuster" medications are no longer protected by patents. This comes along with a growing pressure to keep the costs of old medications down. In addition, these "blockbuster" drugs were typically one drug which had one large indication. This way of working is becoming obsolete as each indication becomes more and more niche due to better diagnostic tools and further refinement of specialized treatments. For example, breast cancer therapies differ depending on tumors sub-types (basal or luminal) and the associated biomarkers such as HER2, ER, PR, PI3K, PD-1, BRCA, etc... On top of this, medications have begun to "resemble each other," and pharmaceutical companies find it more and more difficult to distinguish themselves by developing a "hot" new drug for a specific indication.

Second, while payers (insurance companies and others) are putting financial pressure on the system to keep it functioning, innovative therapies are costing more and more, and conditions for market access become difficult with more stringent evidentiary requirements.

Third, patients, especially those with chronic conditions, have adherence issues, and "drug-only therapy," even with all of the new, incredibly specific molecules that have been discovered, cannot address the medical shortcoming arising from non-adherence. Advances in digital technology, however, do provide new ways to address these patients' urgent needs for partners and support as they navigate their care pathway. It is now crucial to engage patients in their disease management by moving toward a patient-centric service approach.

The stage is set for a new pharmaceutical business model.



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In this context, the players in the industry should seek tomorrow's crossroads, positioning themselves not as simple suppliers of medications but as purveyors of support solutions, providing a multitude of services in multiple domains, including diagnostic aspects and choice of therapeutic strategy, and even putting in place tools to improve the system by focusing on aspects like patient compliance.

In this search for a new position, digital solutions are clearly part of the equation. They allow responding to numerous challenges, not the least of which is accompanying chronic patients' health journeys and facilitating daily tasks for HCPs. All of this can be done at a large scale.

Giants in other industries such as Netflix and Amazon have provided a model of this transition between service- and product-orientation and even of straddling the line between the two. Their personalization tools and data-based approach can provide inspiration to pharma companies, helping them to evolve the healthcare sector toward services that are easy to use from any distance, universally accessible, and of course, personalized to individual users.

The present: evolution in response to the age of personalized services

An important shift started around 2006-2010 toward a "beyond the pill" approach. From models that were product-based (i.e., pills only), pharmaceutical companies initially began introducing value added services for healthcare providers, hoping to make life easier for those who were prescribing their medications. Later, their strategies began to be tailored toward easing patients' burdens, with the first patient support programs (PSP) being developed. One of the earliest, in 2006, was the innovative Abbvie Care program that provided information leaflets, nurses on call, and financial support for patients in need. This PSP was a game-changer, and pharmaceutical companies have been evolving since then, following changing technology.

The rise of digitalized and personalized patient services started happening in 2016. Companies started introducing virtual assistants on their websites and mobile apps for ease of on-the-go use. They take care of every step of patients' journeys, not only the medication-related aspects but also administrative tasks such as making appointments, hospital pre-admission, offering virtual doctor visits, and improving medical record transparency. Doctolib, a French company, is an example of this, a one-stop-shop where patients can make appointments, have and pay for virtual doctor visits, and securely exchange documents with their health care team.

Effective use of AI and available data is the next big step in the evolution of this system. For example, Babylon Health uses AI to help doctors and nurses' triage and complete

administrative tasks more efficiently. Pharmaceutical companies may be able to take inspiration from this and other enterprises to implement their own personalized services.

The near future: an exciting new challenge

As we see from the above examples, there are numerous companies in the healthcare sector starting to go beyond the product-oriented business model toward a holistic patient care system. They are exploring the potential of introducing personalized clinical, emotional as well as behavioral support, to help patients achieve the best outcomes from their treatment and empower them to control their disease.

As this trend continues, in the future we will see patients universally supported through every stage of their pathway, including prevention (health maintenance) as well as diagnosis and treatment of disease. Examples of prevention include accompanying women through their specific gynecological health journeys or helping new parents navigate their well-child visits and vaccination schedules. And patients with both chronic and acute conditions may benefit from additional guidance and normalization of behavioral and mental health care as they navigate their own medical journeys.

There are four main challenges to this ongoing (r)evolution of the healthcare ecosystem.

1. Traditionally, pharmaceutical companies are in the "product" business, and the proposed shift in their business model would mean they have to become at least partly "service" businesses. This represents a cultural gap that may be hard to cross at the macro level, though work is already underway on many fronts within the industry to orient strategies and financial operations more toward services.
2. The second major challenge is to further integrate digital expertise into the pharmaceutical industry, which has a way of working and a knowledge base that are very different from those of tech companies. This challenge includes finding ways to effectively integrate data received from patients' use of digital resources into the standard ways of working. The pharmaceutical industry will need to become more agile, innovative, and proactive. Timescale mindsets need to change as well: whereas pharmaceutical companies may be accustomed to more long-term thinking – the 10-15-year process of developing a drug after a useful molecule is discovered, for example – the turnaround is very much more rapid in information technology.
3. Third, government policies and regulations will need to be carefully modified to allow pharmaceutical companies to be able to move into a service model. As they are currently, many regulations would make it difficult for pharma companies to develop services that include their drugs.
4. Finally, as mentioned above, insurance and medical reimbursement vary highly by country. However, in many places, services are much less reimbursed than products, if they are at all. This business model will need to shift radically in outlook if it is to

keep up – this topic, is, unsurprisingly, too complex to go into in much detail here, but suffice it to say that a solution to deal with this quandary must be found specific to each country. One example of a government-supported service is Germany's Digital Health Actⁱ, which allows doctors to prescribe certified apps for patients' specific needs and provides funding to further develop the industry. Others have been put in place by France's National Health Insurance (CNAM), which has implemented individual digital health spaces for patientsⁱⁱ and a network (RESAH) to facilitate access to digital solutions for hospital material managersⁱⁱⁱ.

Continuing along this path: pharmaceutical companies could drive the HealthTech (r)evolution

The ongoing (r)evolution of the healthcare system is inevitable – consumers will continue to change their habits, service usage and expectations. Pharma companies should keep up.

In fact – they should not only keep up; they should lead the way. Our conviction is that the background knowledge and experience with the ins and outs of different healthcare systems that pharma companies already have makes them more qualified than GAFAM or other tech players just entering the health sector to form a bridge between patients/HCPs and digital services. The pharma industry's overall aim has always been to save or improve patients' lives, in contrast with tech companies that have become successful by creating business with data. Pharmaceutical companies could shift their focus from HCPs to patients, capitalize on the reputation and expertise they have already established, and themselves become a transformative power in digital healthcare.

We do not claim to have the answers on how to achieve the transformation of pharma business models. It is clear that they must fully embrace their place in the digital world, altering their business strategies to focus on service innovation, and each company will need to make this shift to digital in their own way. Nonetheless, from our 10-year consulting experience helping the pharmaceutical industry build its patient strategy and transform itself in other ways, we strongly believe it has all the potential to be a key player in the rapidly growing HealthTech ecosystem. [Listen to the opinion of Paul Simms on the role of the pharma industry in the future of care.](#)

The best way for the pharmaceutical industry to transform itself is not obvious. Some companies might choose to buy start-ups to increase their scope of expertise, while others might push for internal changes, a forced evolution of their current structure. Neither of these options may be sufficient on their own, and unanticipated innovations will certainly be made.

What about you? Who do you think should take the lead in the HealthTech revolution?



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Contact us to discuss!

ⁱ <https://www.bundesgesundheitsministerium.de/en/digital-healthcare-act.html>

ⁱⁱ <https://esante.gouv.fr/mon-espace-sante>

ⁱⁱⁱ <https://www.resah.fr>