Are you facing price erosion from loss of exclusivity and generic competition?
Market analysis and forecasting

Drug prices decrease significantly after patent expiry. The extent of this price reduction can vary greatly. For this reason, analyzing price movement after patent expiry is vitally important to help reduce price uncertainty, offset price erosion and drive effective pricing decisions.

Predictive Acquisition Cost (PAC) leverages predictive analytics to provide market-view insight when facing generic competition and can illustrate what a typical pharmacy will pay for a drug and how much the pharmacy will be reimbursed for that same drug to help forecast pricing. PAC not only estimates the market’s view of acquisition cost for a typical pharmacy purchasing from a drug wholesaler, it can also provide a better understanding of potential wholesaler margin on specific drugs.
• An inflated market view of pricing highlights the potential opportunity to adjust price upward

• A depressed market view of pricing indicates potential pricing competition

**Pricing research**

PAC provides insight into pricing across generic drug categories including eight years of historical data to help you price your drugs against your generic competition. Use of historical data by generic manufacturers can be used in the following ways:

• Contemplating entering new drug categories with the need to understand historical pharmacy acquisition costs

• Comparing acquisition costs to historical market demand and measuring price elasticity

• Analyzing historical trends in similar drug categories to forecast future trends
Establish an independent reference point to effectively index price across a group of drugs to enhance contractual pricing and anticipate future price movement.

Utilizing Gini coefficient to anticipate price movement and drug shortages

Borrowing a concept from econometrics called the Gini coefficient, we can gain deep insights into price and price movement by looking at how concentrated versus widely available a given drug is across manufacturers.

The Gini coefficient is used to understand at the distribution of income across a population to assess wealth inequality. These same principles inspire our analysis to measure, through claims utilization data, how concentrated the availability of a drug is to just a small number of manufacturers (high Gini coefficient) versus widely available across a large group of manufacturers (low Gini coefficient). The Gini coefficient measure itself, as well as movement in the measure, provide valuable pricing indications as illustrated in the following examples.

Example: Anticipate price movement

Changes in the Gini coefficient can indicate changes in availability of the drug from specific manufacturers in a drug group, and in turn helps us anticipate or explain pricing movement. For example, over the last year Olmesartan Medoxomil/Hydrochlorothiazide experienced a shift in utilization. The top two NDCs now account for nearly 75% of all utilization. The corresponding increasing Gini coefficient indicates a tighter concentration of drug availability amongst manufacturers (NDCs) and tracks with the resulting higher acquisition costs.
And the opposite scenario can also play out. In situations where the Gini coefficient is falling, there is a greater potential for lower drug acquisition costs.
Example: Shortages and single-source generics

An extreme but important case of Gini coefficient movement is the identification of drugs that change from single-source to multi-source, or vice-versa. Using a Gini coefficient to systematically review thousands of drug groups enables us to better anticipate such changes. These changes can have impacts on demand for the brand versus generic products and implications on how payers/PBMs should reimburse.

Levetiracetam 500mg Extended-Release Tablets

The rise of authorized generics

In order to slow the pace of market share decline after a market exclusivity loss, implementing an authorized generic strategy has proven to be effective. Leveraging pricing data to garner business intelligence is valuable when launching your authorized generic. PAC provides an estimate of typical drug acquisition cost for both brand and generic drug to support your authorized generic pricing decisions.
Data science approach

The PAC methodology helps you operate in a complex environment by offering turn-key solutions for solving common drug pricing analytic problems. Using predictive analytics, PAC provides insight into a drug’s true acquisition cost by establishing a pricing range to help determine the performance of pricing contracts, control costs and solve pricing challenges.

PAC leverages pricing data to support business intelligence and helps reduce the need for internal IT resources. How do you support reporting needs across your company? Utilizing key internal IT resources to measure your pricing performance can be costly. PAC’s ability to leverage pricing data utilizing predictive analytics makes it easy to gain insight from your pricing strategy to reinforce critical pricing decisions.

PAC provides cutting edge – actionable cost insights that allow you to focus on deploying your analytic model rather than build one from the ground up.

PAC pricing module is developed and maintained by Glass Box Analytics. Elsevier is the exclusive publisher and distributor of PAC.

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