

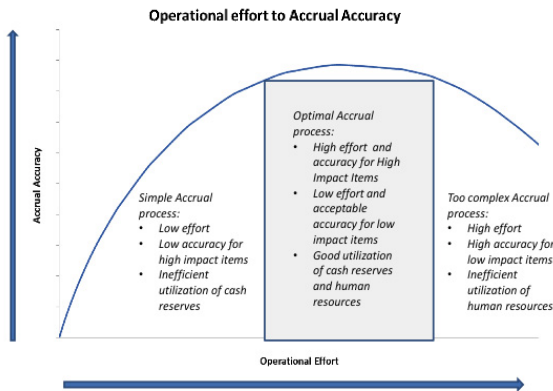
A DEEPER LOOK INTO CURRENT ACCRUAL OPERATIONS.

As today's sales and marketing channels increase in complexity, so does the structure of contract terms with customers. Enter gross-to-net management, a regulatory obligation for manufacturers to accrue for discounts and other financial elements and properly state these liabilities on income statements. The management of gross-to-net continues to be operationally challenging given the diverse array of line items and individual transactions that impact it.

For a typical manufacturer this translates to a primarily manual process with organizational resources focused on cumbersome manual data gathering from disparate sources, ad-hoc analysis in excel, manual reconciliation and posting in a limited time frame rather than value added analytics. From an industry standpoint, manufacturers are either too conservative or too lax in gross-to-net forecasting while the optimal point lies somewhere in between. More often, it is a black-box with limited organizational understanding of what inputs goes in, what transformations are applied and what comes out, increasing audit challenges.

Depending on the maturity of the gross-to-net process, HighPoint offers a targeted gross-to-net assessment to help manufacturers evaluate current operations and determine the best path forward.

! Current Situation



📍 Channel Accuracy & Contribution

Time Period	Accrual Line Item-Prompt Pay Discounts				Percent contribution
	Accrued Liability	Actual Liability	Total Actual Liability	Percent Accuracy	
Jan-13	\$100,000	\$142,288	\$1,710,339	-29.7%	5.8%
Feb-13	\$71,453.39	\$44,194	\$1,628,895	61.7%	4.4%
Mar-13	\$93,997.50	\$120,857	\$1,551,328	-22.2%	6.1%
Apr-13	\$10,415.10	\$2,183	\$1,477,455	377.1%	0.7%
May-13	\$71,074.55	\$74,185	\$1,407,100	-4.2%	5.1%
Jun-13	\$90,025.18	\$35,684	\$1,340,096	152.3%	6.7%
Jul-13	\$36,479.61	\$66,769	\$1,276,282	-45.4%	2.9%
Aug-13	\$71,894.64	\$65,605	\$1,215,506	9.6%	5.9%
Sep-13	\$64,918.97	\$113,083	\$1,157,625	-42.6%	5.6%
Oct-13	\$53,468.29	\$28,704	\$1,102,500	86.3%	4.8%
Nov-13	\$96,657.71	\$144,981	\$1,050,000	-33.3%	9.2%
Dec-13	\$53,591.74	\$52,200	\$1,000,000	2.7%	5.4%
Average	\$67,831	\$74,228	\$1,326,427	-8.6%	5.1%

🔄 Cross Channel Accuracy & Contribution

Accrual Line Item	Average Percent contribution	Average Percent Accuracy
Prompt Pay Discount	5.1%	8.6%
Wholesaler Rebates	43.0%	7.0%
Specialty Pharmacy Rebates	17.1%	10.0%
Specialty Distributor Rebates	19.0%	24.0%
Coverage Gap Rebates	3.5%	95.0%
Medicaid FFS Rebates	35.0%	75.0%
Medicaid MCO Rebates	12.5%	67.0%
Medicaid Supplemental Rebates	2.4%	9.6%
Co-Pay Rebates	1.9%	5.0%
Payer Rebates	31.0%	30.0%
Admin Fees	9.2%	33.3%
Service Fees	5.4%	10.0%

🔍 Manufacturer Opportunity

Low Effort/Low Contribution/High Accuracy	High Effort/High Contribution/High Accuracy
<ul style="list-style-type: none"> Explore automation 	<ul style="list-style-type: none"> Model alternate methodologies with similar accuracy but simpler process Explore automation Streamline current process
Low Effort/Low Contribution/Low Accuracy	High Effort/High Contribution/Low Accuracy
<ul style="list-style-type: none"> Model alternate methodologies for increased accuracy Explore automation 	<ul style="list-style-type: none"> Understand variance drivers Model alternate methodologies for increased accuracy Explore automation Streamline current process

GROSS-TO-NET PROCESS EVOLUTION IN A MANUFACTURER

01 Initiation Understand

What is gross-to-net?

What channels are accrued?

What questions should I ask?

What are some best practices in setting up a gross-to-net forecasting process?

02 Growth Optimize

How is my organization performing?

What do I optimize my current process?

03 Maturity Automate

Is there a business case for automation?

What are my options?

How do I automate?

What are some best practices?

HighPoint Gross-to-Net Assessment

Policy and Process

- Review of current documentation
- Workshops with key stakeholders to understand challenges
- Comprehensive audit

Organizational Support

- Review alignment across organization
- Benchmark size and structure vs. peers

Data and Calculations

- Data Sources and Gathering Procedures
- Assumptions
- Calculation Methodology

Technology

- Evaluation of current models
- Industry Landscape
- Automation Feasibility
- Vendor demos
- Fit with manufacturer requirements

Key Deliverables

Current State

- Comprehensive Assessment Report
- Current State Business Process Flows
- Comparison vs. Industry Best Practices
- Organizational benchmarking vs. peers

Future State

- Automation Feasibility Analysis
- Vendor Evaluation (Potential)
- Detailed Go-Forward Roadmap

To learn more, contact Ralph Lynn, VP of Pricing & Contracting, at Ralph.Lynn@highpointsolutions.com.

