

Pricing: What to Consider in Specialty Care and Biotech Markets?

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Pricing in a Vacuum...

The development of Pricing needs to take into account:

- The decision maker and influencer
- Market utilization
- How it is represented
- The reimbursement environment
- The competitive framework

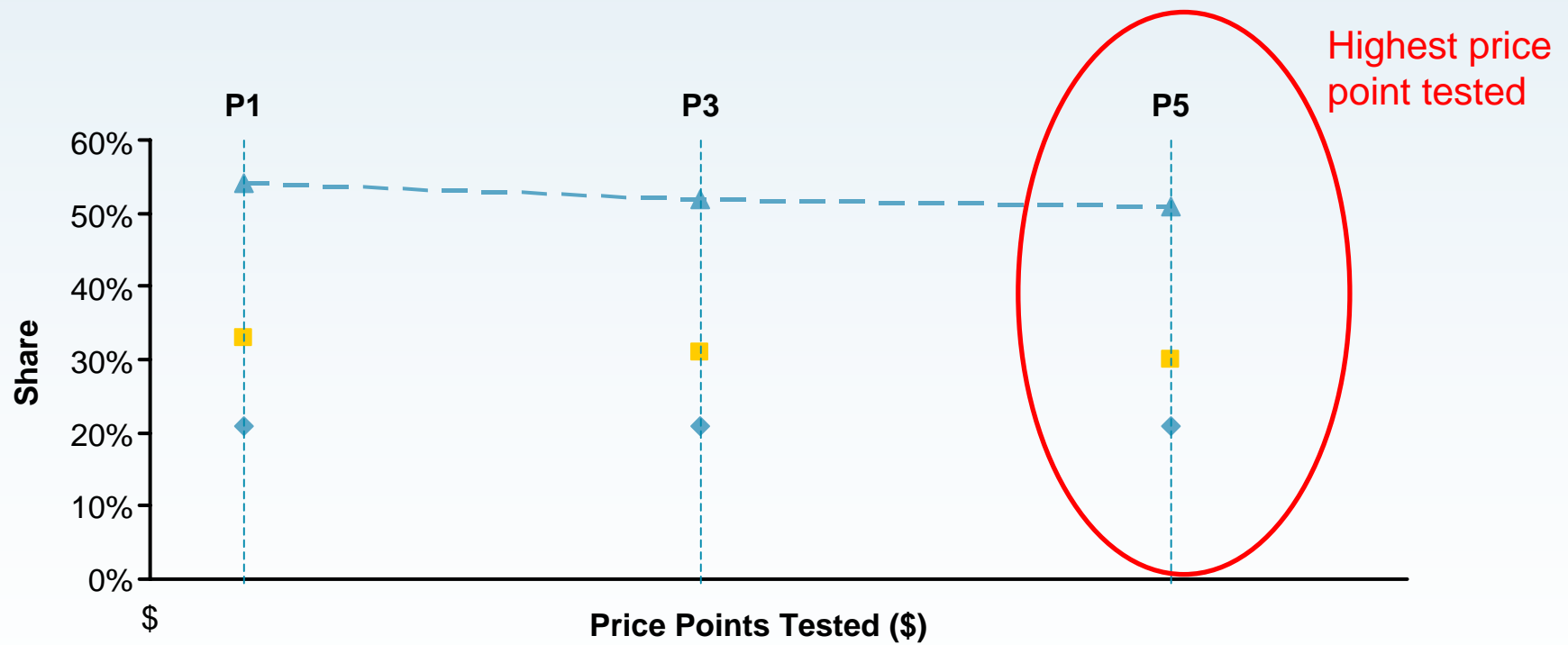


Bottom
Line...

Can we justify the **value proposition** to the payer and patient by improving the quality and/or extending the length of the patient's life ?

What Drives Price Sensitivity?

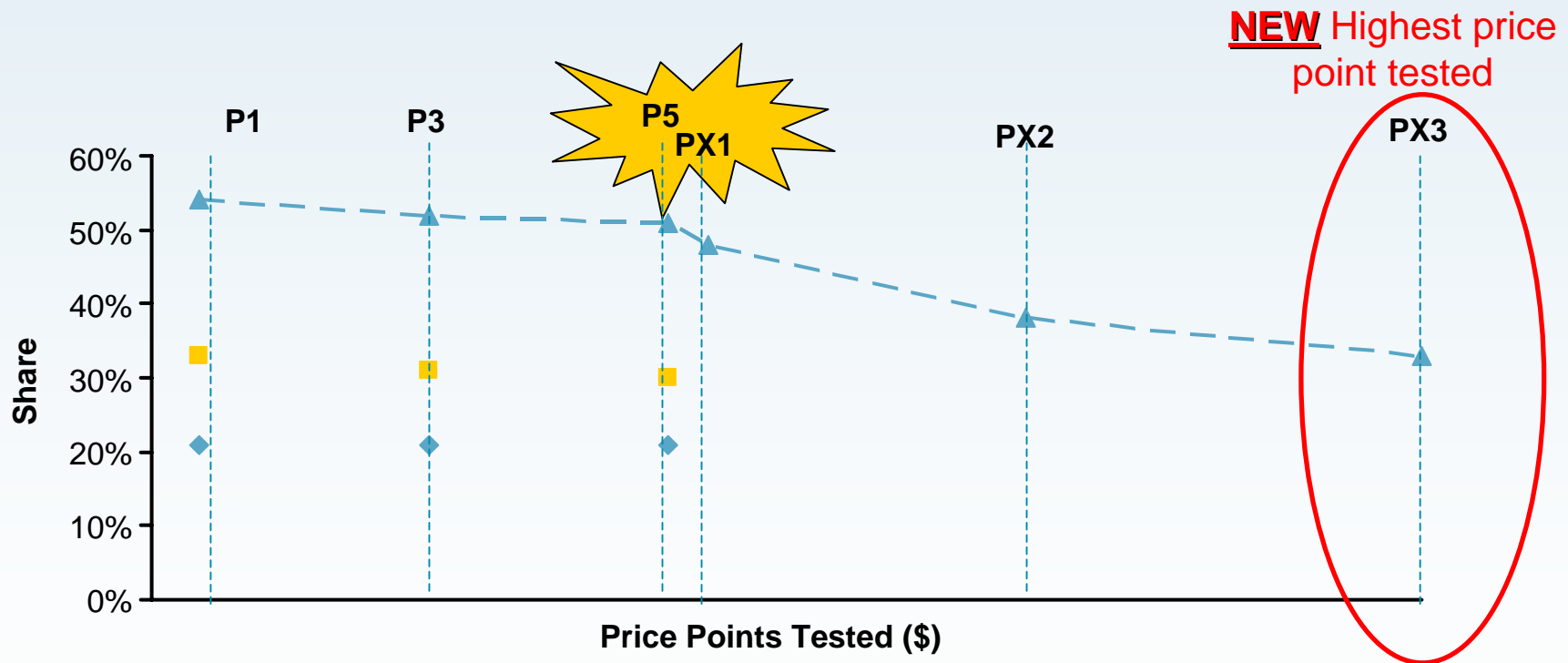
- Is this product ***really*** price insensitive?
 - A high price will not impact market share and revenue?
- What is ***really*** driving this?
 - Reimbursement



~ 70% increase in price

Price Sensitivity vs. “Hot Price Points” and Ceilings

- How high is too high?
- Need to identify the “hot price points” – the \$0.99 effect !!



~ 150% increase in price

Who to Consider – The Key Players....

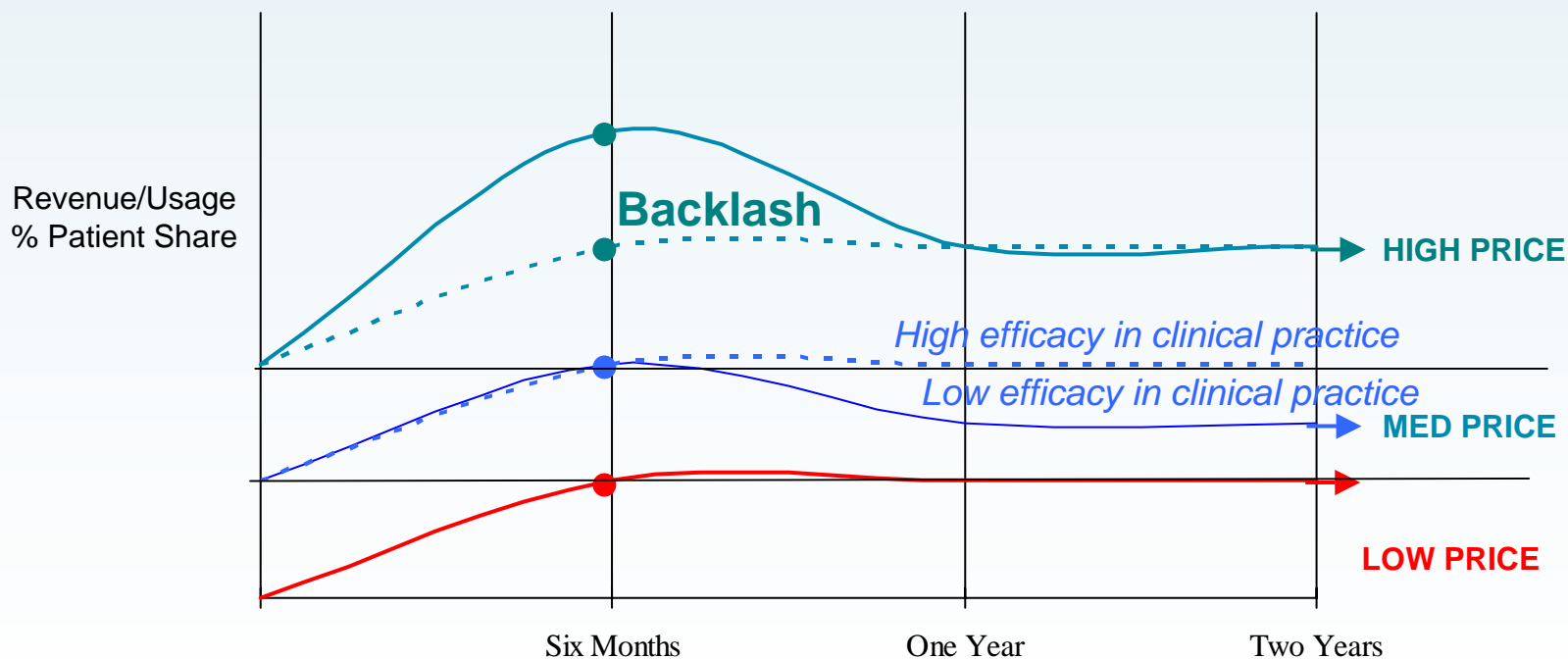
- Is the physician the appropriate segment to conduct price sensitivity studies?
- Impact to use vs. frequency of use.

Audience	Low	Reasonable	High Price, but Worth It	Anticipated Tx/Year
<u>Physician:</u> Opinion Leaders vs. Community				
<u>Payers:</u> Public vs. Private				
<u>Patient:</u> Co-pay vs. need				

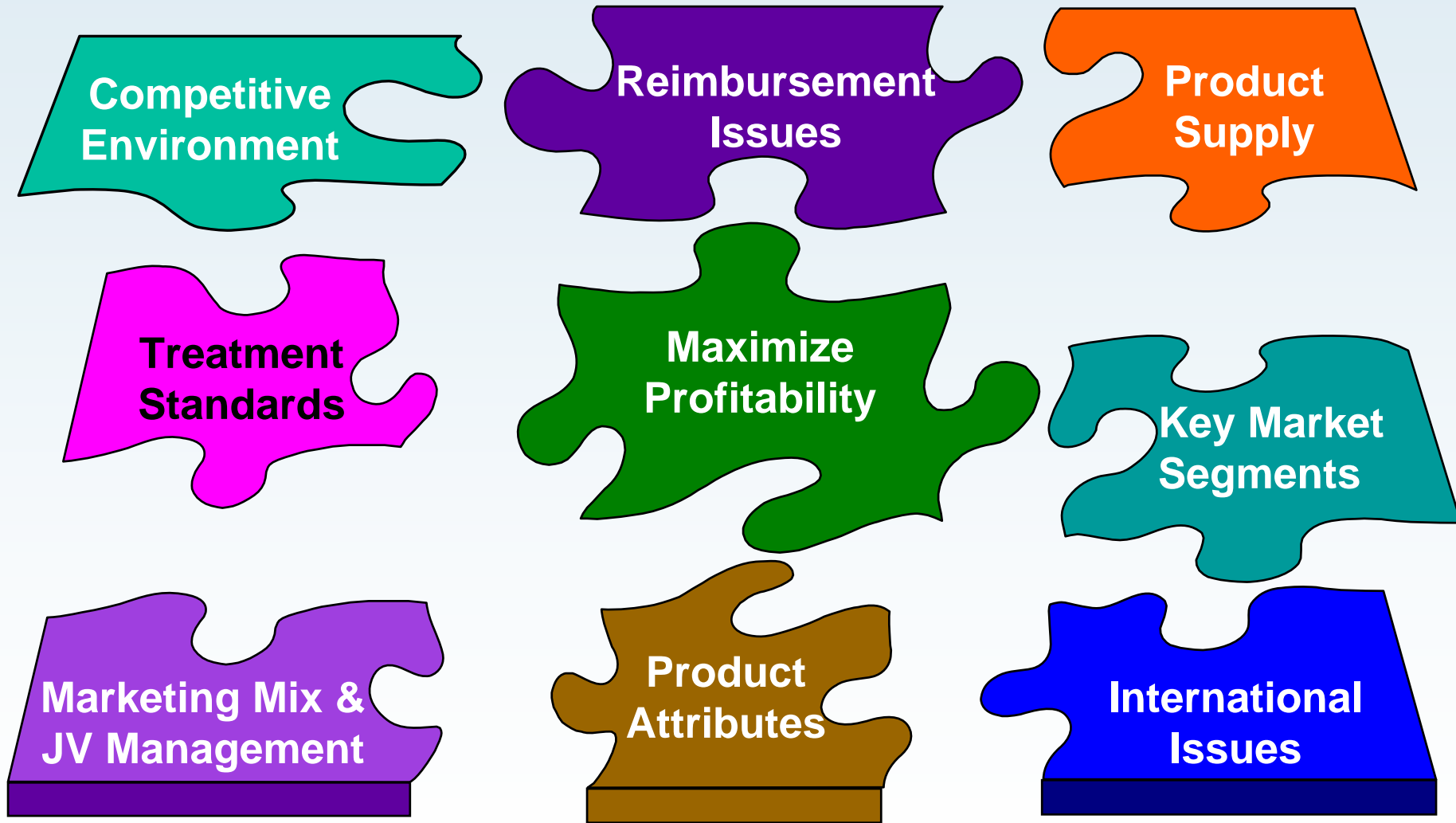
Consider the Big Picture...

- Unmet market need and competitive environment
- Political environment and advocacy group impact
- Reimbursement and pool depletion and floor vs. ceiling
- Comparable products and markets – novice agent, biologic v. Primary

Scenarios: Risk Tolerance vs. Revenue Maximization

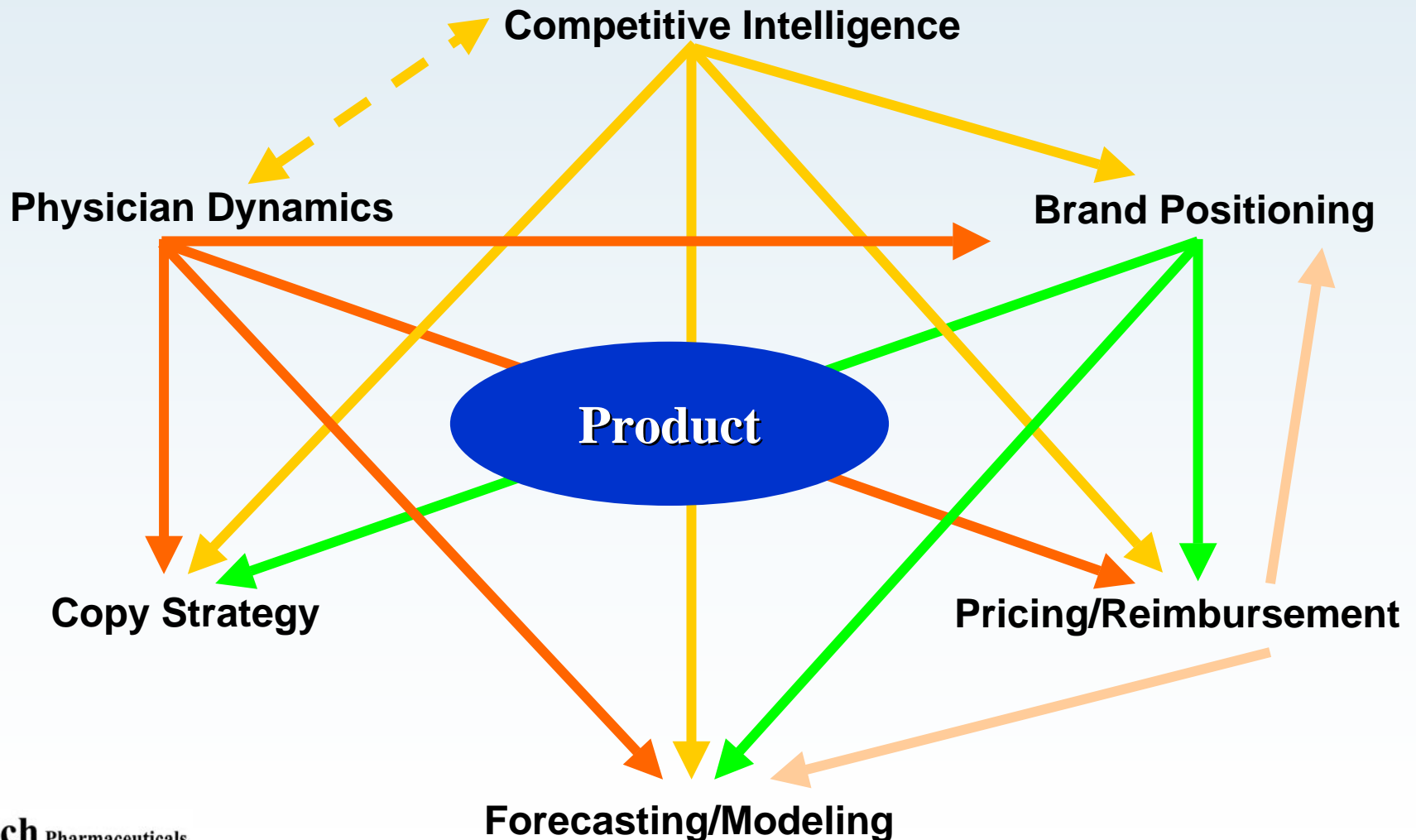


Optimal Pricing and Reimbursement Strategy Variables: Avoid Pricing in a Vacuum...



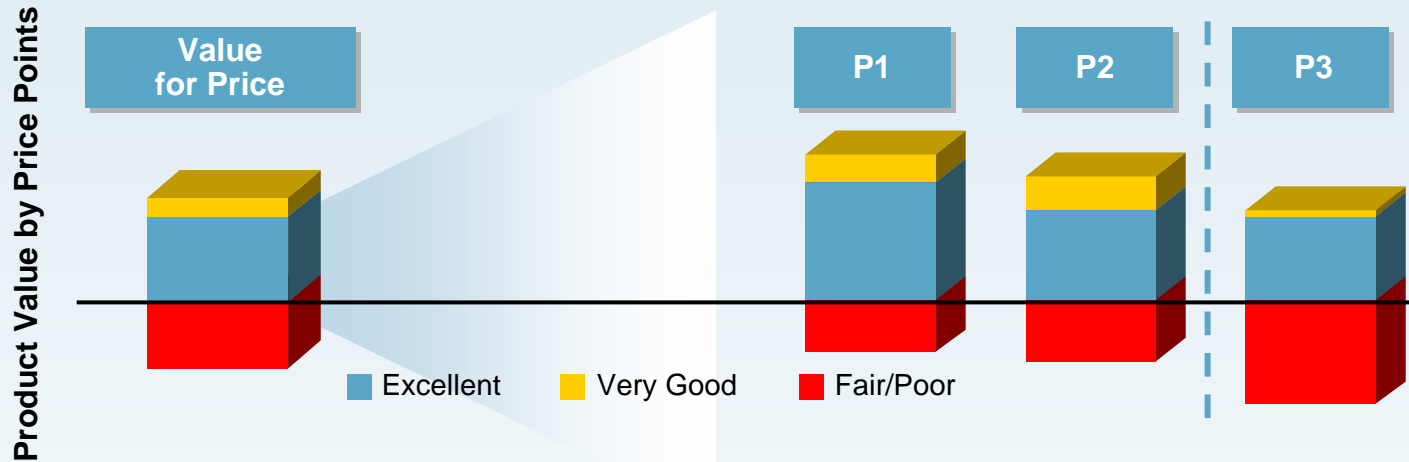
Implications of Pricing and Reimbursement

- Pricing and reimbursement is an integral part of commercializing a product with direct links to brand positioning and forecasting



Build the Product Value Story...

- Typical price sensitivity may be different vs. product value perceptions



To: (Audience)

Pdt X Is: The First....

That: (Benefit)

Because: (Reason to believe)

So That I can help....(Emotional end benefit)

- ◆ *Exciting NEW class*
- ◆ *Differentiating benefits*
- ◆ *Foundation therapy – capture it all !!*

- ◆ *Focus on the end benefit that matters – Patients*

Benchmarking Biologics: The Oncology (R)evolution

- ◆ **First Wave: New branded chemotherapeutics and biologics**
 - Chemotherapeutic (Paraplatin, Taxol) priced under \$10,000/year
 - Biologics across tumor types priced above \$20,000 (except Gemzar)
 - Gemzar (pancreatic) \$15K
 - Gleevec (CML) \$22K
 - Herceptin (breast) \$75K
 - Rituxan (NHL) \$32K
 - Camptosar (CRC) \$22K
- ◆ **New Wave: Erbitux and Avastin priced at 3-5x higher vs. standard of care**
 - Avastin at \$71,500/year (1st line) – 223% higher
 - Erbitux at \$119,808/year (refractory) – 442% higher

Utilize Appropriate Approach...Not Methodology....

