



2015 State Of The Industry:

## Biopharma and Life Sciences

Executives in the biopharma and life sciences industry face many critical strategic questions in 2015. Here, L.E.K. Consulting shares its views on the key challenges and opportunities for life sciences companies, as well as the solutions that senior executives are already turning to.



### What is the Current State of the U.S. Life Sciences Industry?

We are expecting a strong year for the biopharma industry with continued innovation in the development pipeline. There will be a number of important launches expected in 2015, including several specialty therapies likely to drive substantial value for the healthcare system, leading to favorable pricing and access for innovators. This will build on important 2013-2014 launches including Sovaldi, Harvoni, Tecfidera, Imbruvica and Kadcyla, creating a new class of blockbuster drugs to replace some of those coming off patent. And while the emergence of biosimilars is on the horizon, the industry appears to be over the steepest part of the patent cliff as new sales are expected to far outpace expiries.

The deal-making environment continues to be active with many companies looking to achieve stronger leadership positions and/or rethinking strategic priorities:

- Small companies raised record capital in 2014, which will help drive innovation and cushion the companies against possible clinical setbacks
- Mid-size companies are focused on building disease-area leadership to push growth
- Many large companies are rationalizing their business to a smaller set of important assets where they can excel (e.g., specialized therapies, asset swaps, selling components of their businesses that don't fit more focused goals). This is consistent with L.E.K.'s analysis and article "Too Big to Succeed," published in *In Vivo* magazine in December 2012



### What are the Key Challenges and Opportunities?

The reimbursement and market access environment continues to become increasingly challenging as payers and providers consolidate and raise the bar for "value." In this environment, payers increasingly require evidence of improved outcomes to help justify both premium pricing and market access. In addition, R&D productivity is an ongoing challenge, especially for large pharma, as development costs continue to rise and the projected ROI of innovation from late stage pipelines has fallen annually since 2010.

Nevertheless, there are several opportunities presented by evolving market dynamics:

- **Enhancing commercial models.** Better align commercial organizations with the evolving needs of payers, providers, patients and other key stakeholders
- **Transitioning to integrated health solutions.** Leverage new data, technology and services to create integrated, patient-centric health solutions (e.g., drug delivery, remote monitoring services)
- **Tapping into game-changing innovation.** Take on greater risk to access truly novel science that has the potential to transform high-priority diseases



## How are Executives Addressing Challenges and Opportunities?

Franchise leadership continues to be an important way to address challenges surrounding R&D productivity, commercial model optimization and evolving pricing and market access dynamics. Most executives have focused on a few core therapeutic areas where they can leverage their assets, expertise and relationships to enhance access to innovation, drive improved outcomes and realize cost savings.

Leading players are also looking at creative R&D structures and portfolio optimization strategies to improve the cost of developing new innovations. Many companies have instituted more rigorous and structured mechanisms to help them quickly move past unsuccessful initiatives. Others are engaging in co-development pacts, asset swaps and partnerships with both government and academia to lower the cost of innovation, as well as embracing biomarkers and other more personalized healthcare tools to better target their R&D activities.

Savvy executives are reaching into technology-enabled solutions and other disruptive technology to improve outcomes, increase cost effectiveness and generate new revenue streams. For example, Novartis recently partnered with Google to develop smart contact lenses that can non-invasively track blood glucose levels. These players realize that compartmentalized solutions alone will not get the job done. Integrated solutions that address the entire continuum of care are more likely to achieve success for their companies.

## Our Biopharma and Life Sciences Practice

L.E.K. Consulting is a premier strategic advisor to the life sciences industry. Our clients include four of the top-five global biotech companies, nine of the top-10 global pharmaceutical companies, leading tools and diagnostics companies, and many of the most innovative emerging public and private companies in the industry.

## Meet Our Leaders



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