



The dynamics of today's economy require pharmaceutical companies to rigorously manage costs and government compliance as they attempt to increase market share with innovative sales strategies. To ensure profitable growth, companies are responding faster to changing market demands, requiring well-defined goals. This is especially true in the areas of sales contract development and pricing, chargeback, and rebate management. To meet this complex challenge, a total, integrated solution is essential, and only one exists: the contract management solution in SAP® for Life Sciences.

SAP® for Life Sciences

TOTAL CONTRACT MANAGEMENT WITH SAP® FOR LIFE SCIENCES

THE COMPLETE CURE FOR CONTRACTS, PRICING, CHARGEBACKS, AND REBATES

You know that effective contract management is paramount to the success of your life sciences business. Contract sales in a pharmaceutical company, for example, typically represent more than 50%, and often as much as 80% or more, of total sales. And contractual obligations, including rebates and chargebacks, represent at least 10% of total sales. Even a small variance in chargebacks or rebates can result in huge overpayments – or huge savings if you avoid them. Just a 2% overpayment variance for a company with an annual contract exposure of \$100 million can equal \$2 million in potential savings.

SAP understands how important contract management is to your life sciences business, too. That's why SAP® for Life Sciences contains a complete, innovative solution for contract management. SAP for Life Sciences helps you pull in the reins on excessive payments and streamline your contract management processes. It can also enhance your group and customer relationships, increase your return on investment (ROI), and lower your total cost of ownership (TCO).

SAP for Life Sciences integrates and synchronizes contract development and pricing processes with group membership and customer information. In addition to giving you a consistent technological base with fewer costly interfaces to maintain, minimized operating costs, and a sharper competitive edge, this integrated contract management solution allows you to:

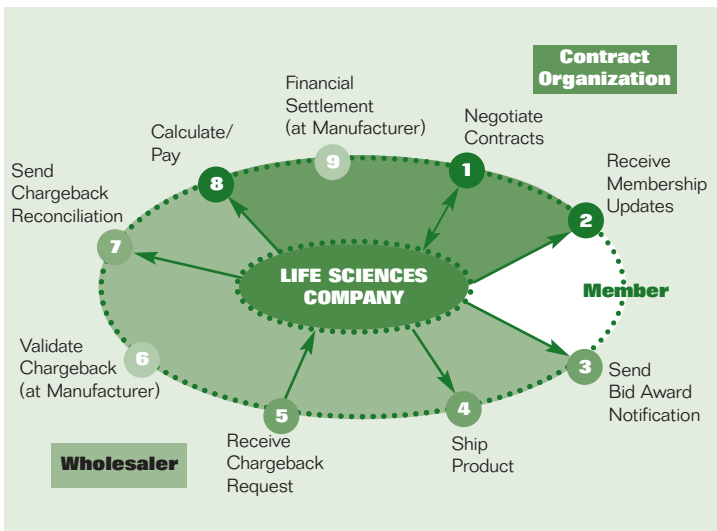
- **Analyze trends** by mining sales data
- **Use strategic data** for consolidated financial reporting
- **Minimize or stop overpayments**, duplicate claims, and unusual return patterns using audits and controls
- **Quickly settle disputes**, deductions, and penalties using automated tools
- **Streamline contract development processes** so you can spend more time on critical business objectives

- **Analyze contract profitability** to determine margins and profit
- **Comply with** government regulations and commercial pricing programs

Your portfolio of complex contracts, which requires the management of multifaceted membership relationships, as well as performance-based rebates, creates a dynamic and challenging environment in which to operate today. With the SAP for Life Sciences contract management solution, you can operate in this environment in the most profitable and compliant manner possible.

WORLD-CLASS SELL-SIDE CONTRACT DEVELOPMENT

From negotiation through execution, only SAP provides a complete, sell-side contract management solution for life sciences companies. Leveraging SAP technology can move your company from just managing spreadsheets to comprehensive, fully integrated contract life-cycle management that closes the loop on end-to-end processes.



The Closed-Loop Contracts, Pricing, Chargebacks, and Rebates Process

SAP for Life Sciences delivers full contract life-cycle management, with integrated capabilities.

CONTRACT DEVELOPMENT AND MANAGEMENT

Using rule-based applications, you can simplify the process of developing contract proposals that support eligibility rules, pricing methods, and various rebate types. Standard contract templates make it even faster and easier to develop contracts. And you can manage all types of rebates – from simple market share or growth measurements to elaborate, matrix-style conditions – as well as handle fixed, floating, and tiered pricing.

The solution securely stores templates and terms for legal documentation. Using online contract validation, you can check for price floor violations and route authorization requests to the appropriate department. You can also use diverse distribution and purchasing methods, including indirect, direct, or rebate only.

Using the solution’s powerful contract management tools, you can handle high-volume bid development and contract administration. You can also automate contract membership eligibility, capture data for contract analysis, provide enterprise pricing capabilities, and communicate in various formats, including a standardized link to EDI x.12 845 for outbound bid award notifications.

GROUP MEMBERSHIP

With the group management application of SAP for Life Sciences, you can manage the complex business relationships between contract organizations and affiliated clients and plans. The application maintains an exact copy of your customer’s membership list and automatically matches it to your customer database.

Because you establish filters, policies, and participation rules to control contract participation with SAP for Life Sciences, the software can automatically determine contract eligibility at multiple levels, updating contracts without manual intervention.

Data collected from your customers’ files, third-party data providers, or electronic data interchange (EDI) transactions are loaded through components that are fully integrated with customer master data.

With SAP for Life Sciences, you can automate membership collection and validation and integrate it with customer master data, including full validation number scheme look-ups. You can configure participation rules, handle single group or multiple affiliations, track membership changes across contract organizations, update membership rosters, and identify your prime vendors.

The solution also offers single-source customer master data for data integrity, automated eligibility and participation functions with filters and rules, and automated data collection.

CHARGEBACK

The chargeback application tightly integrates contract, membership, and pricing data so you can quickly analyze and validate claims. Intelligent error tolerances, thresholds, and duplicate checks help you enforce company policies.

Automated error correction capabilities that use powerful suggestion logic help you validate claims quickly, reducing manual intervention and speeding up the chargeback process. If the solution can't recommend a specific correction, you can easily access current and historical contract, membership, and pricing data online and change claim data manually with the proper authorization.

And with EDI communications, you can easily, efficiently reconcile documents with wholesalers and distributors.

The solution loads and processes chargeback claims and customer sales data with standardized EDI chargeback requests (using x.12 844 or 867) and handles outbound chargeback reconciliation (using x.12 849). You can also use native ANSI x.12 transactions.

Statistical error tracking, exception, and aging reports give you a picture of your contracts.

SALES TRACING

The sales tracing application extends the solution's chargeback capabilities to capture indirect sales data from wholesalers and distributors. This is one of the most effective ways for you to gain market intelligence and monitor buying patterns.

The solution handles high-volume sales tracing with integrated EDI transactions, and it provides intelligent error management, data scrubbing, and summarized data reports.

PERFORMANCE REBATES

The performance rebate application eliminates manual processes and the errors they create. It collects sales and market share data automatically, calculates compliance levels, and turns payments around quickly and correctly. This high-performance, scalable technology can handle large volumes and complex calculations in real time or batch mode.

You can calculate sales or market share rebates and payment distributions and then flexibly adjust payments in response. Validation and analysis tools ensure data integrity. You can track competitive data and calculate product level, contract aggregate, and incremental performance against national averages. The solution stores valuable sales and market share data that can be easily mined for reporting and business intelligence.

With SAP for Life Sciences, you can replace manual processes with electronic data collection, and automatic sales and rebate calculation for faster payments. You can also take advantage of flexible individual recalculation options and integration with mySAP™ ERP and mySAP ERP Financials for financial settlements.

THE INTEGRATED BUSINESS BENEFITS OF CONTRACT MANAGEMENT

Because the contract management solution is part of the SAP for Life Sciences set of solutions, it creates unmatched value across the enterprise and leverages your existing SAP investments. No other solution offers the same degree of power and flexibility. And no other solution integrates such a myriad of immediate and long-term business benefits, beginning with increased revenues and profitability.

The solution seamlessly links contract and pricing functions with sales, marketing, finance, and distribution functions to increase sales and market share. You can consolidate strategic and

tactical data to make it readily available and easily transformed into business intelligence for reporting and analytics. You can analyze sales, margins, and profitability at various levels, and you enjoy easier, more accurate accrual processing capabilities. And because you can customize contracts, you can increase revenues.

You benefit from a solution that helps you improve relationship visibility with full, high-volume support of EDI and Internet transactions. Efficient communications improve customer relationships, such as better dispute management by consolidating and sharing data and improved business process collaboration. You can renew and negotiate contracts faster, and you can monitor and administer contracts and deductions proactively. And because the solution provides full support for federal and state regulations, you have access to large government healthcare markets, as well as built-in price compliance and reporting requirements.

You also benefit from reduced operating costs. With an integrated, enterprise-wide solution, you can significantly lower the cost of contract maintenance and training. Automated processes reduce dispute, reconciliation, and deduction costs, as well as noncompliance and erroneous transactions like duplicate submissions. You can lower your selling, general, and administrative expenses and avoid contract violations. And the efficiencies you gain from SAP for Life Sciences can help you reduce write-offs, limit audit and financial risks, and reduce working capital costs.

COMPREHENSIVE CONTRACT MANAGEMENT FROM SAP FOR LIFE SCIENCES: INTEGRATED FOR YOUR SUCCESS

SAP for Life Sciences provides a complete industry contract management solution. Because it is integrated, it removes the barriers and information bottlenecks created by point solutions, and it empowers you to profitably manage the diverse and dynamic contracts, pricing, and chargeback requirements of your business. It integrates and automates – as only SAP can – all your key contract management processes and gives you total sell-side contract life-cycle management capabilities. From negotiation through execution, contract management from SAP for Life Sciences is integrated for your success.

For more information about contract management with the SAP for Life Sciences set of solutions and to view solution maps, please visit the SAP Web site at www.sap.com/solutions