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PwC Aggregate Spend Benchmarking

February 2013

Strictly private and confidential



Introduction

- Life sciences companies have been developing aggregate spend programs over the last three to five years with a focus on US State and Federal reporting
- Within the next two years there will be 30+ countries with different tracking, disclosure, and bookkeeping requirements
- PwC wanted to better understand where most life sciences companies are in the development of both US and O-US aggregate spend programs



Aggregate Spend Benchmarking

In Q3/Q4 2012, PwC conducted a survey of 14 life sciences companies to understand:

- Historical and planned investments toward US and O-US aggregate spend programs
- Number of current and planned dedicated and part-time resources for each aggregate spend program
- Biggest challenges with the program
- What each company would like as part of a "future state" for their programs
- Average of \$28B in annual revenue across 14 respondents; 5 out of 14 under 10B in annual revenue

Aggregate Spend Program Costs

To better understand the breakdown of overall program costs, we asked respondents regarding investments in the following categories:

Internal/staffing costs

• Full-time and part-time global compliance and in-country employee costs

Consultancy costs

• Third party consultancy and solution vendor costs

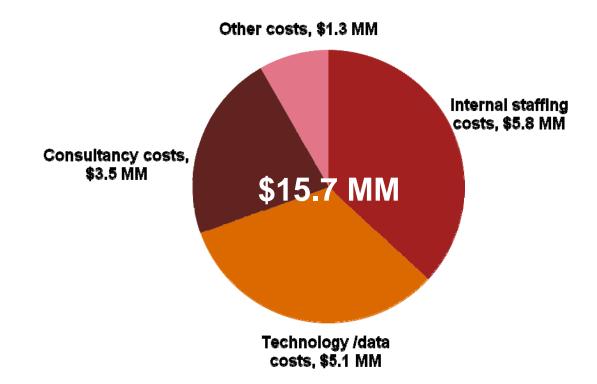
Technology/data costs

- Aggregate spend solution implementation costs
- Source system upgrades
- Third party data costs

Other costs

• Costs shared with other internal initiatives

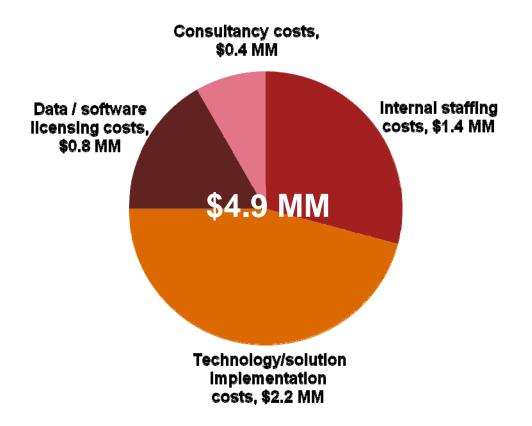
Investment over the last three years



Respondents spent an average of <i>\$15.7 MM over the last three years for US programs alone.

Only two respondents have started building a global program and the investments were less than *\$2 MM* over the last three years.

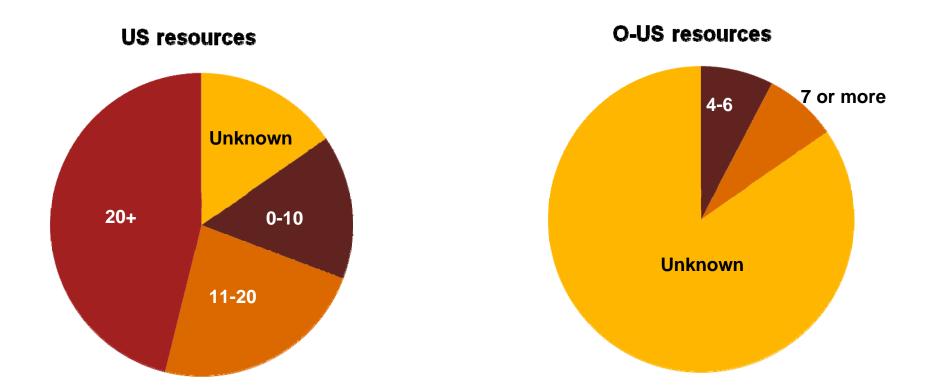
Investments planned for 2013 and 2014



Respondents plan to spend an average of \$4.9 MM over the next two years in the US to comply with PPACA.

Only **one** respondent has planned investments (~\$1 MM) for a global aggregate spend program over the next two years.

Dedicated resources for aggregate spend program

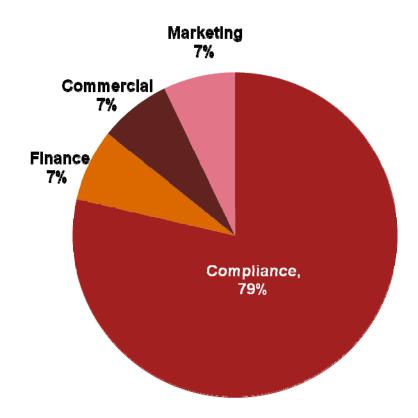


Respondents have cross-functional teams in place to handle US State and Federal reporting, however 85% of respondents still do not know many resources will be needed to handle global requirements.

Investment Findings

- Respondents will be spending on average **44%** of their overall future investments on **technology** / **data costs** which **is 13% higher** than the overall spend on technology / data over the past 3 years, supporting the notion that technology solutions have not yet yielded desired results
- Respondents have budgeted **less on future consulting costs** despite the continued effort of implementing reporting solutions
- Respondents have **budgeted a lower proportion** of their future investments on **internal/staffing costs** despite the increased need for data management/remediation activities as new requirements emerge
- While *all* respondents have spent millions of dollars in implementing a reporting solution to handle U.S. requirements, *25%* of respondents **changed solution vendors** during the U.S. reporting solution implementation.
- Only **25%** of respondents have started implementing an approach/strategy to handle O-US requirements.

Ownership of Aggregate Spend Program



79% of responding companies have assigned compliance as the day-to- day owner of the US and O-US aggregate spend programs.

All respondents have assigned the certification process to the Chief Compliance Officer

Aggregate spend program feedback

What do you wish your aggregate spend program had that it currently does not?

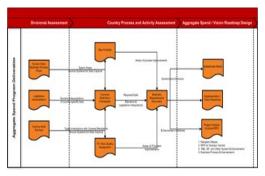


Data management

"Ability to manage significant volumes of data better"

"Global unique customer master identifiers"

"Data processing is still somewhat intensive. New functionality or enhancements to system still require extensive resources"



Change management

"Flexibility to change along with change in risk tolerance/ treatment of the organization"

"Better global scalability and more automation of current manual processes' organization"

"More flexibility for updates and changes"

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Monitoring and business insights

"Better Ad-Hoc inquiry and reporting capabilities"

"Added reporting functionality to support operations and growth businesses"

"Monitoring to identify potential compliance issues more pro-actively"

Benchmarking survey learnings

Given the growing complexity and rising costs, companies will have to invest more in aggregate spend capabilities to report accurate and complete information to each country.

Companies will need to invest more to build programs to handle all global requirements

More regional and country requirements are coming

Investments in building US programs have been significant but have not yielded expected outcomes

Most companies do not have a global approach in place



Contact Information

If you would like more information or a consultation please reach out to:

Brian Riewerts

Principal, PwC Global Pharmaceutical and Life Sciences Advisory brian.riewerts@us.pwc.com +1 410 659-3390

Jonathon Kellerman

Principal, PwC Global Pharmaceutical and Life Sciences Advisory jonathon.l.kellerman@us.pwc.com +1 973 236-7880

Jennifer Colapietro

Principal, PwC Global Pharmaceutical and Life Sciences Advisory jennifer.a.colapietro@us.pwc.com +1 973 236-4124

David Wysocky

Director, PwC Global Pharmaceutical and Life Sciences Advisory david.j.wysocky@us.pwc.com +1 973 236-5179

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