



Spend Management: Process Transformation Beyond Sunshine Act Compliance

Introduction

The Physician Payment Sunshine Act – enacted into law in 2010 under the U.S. Patient Protection Affordable Care Act – is yet another regulation with which pharmaceuticals and medical device companies must comply. Under the law, any purchasing organization or manufacturer of a covered drug, device, biological, or medical supply is required to report any physician spends (payments) and other transfers of value (services or gifts) publicly. Payments for services furnished in connection with the development of a new drug, device, biological, or medical supply also must be reported.

This case study is about our experience in delivering effective spend management solutions, and provides the implementation details of a Pega® -based solution for a process transformation initiative at a leading pharmaceuticals company. The initiative, named the “Transparency Project,” has a primary goal of ensuring that business processes and systems move beyond Sunshine Act compliance. It does so by bringing together enterprise data integration, process standardization and automation, proactive monitoring and information exchange and true business intelligence.

Business Situation

The client, a 125-year-old, Top-10 global pharmaceuticals company, develops and produces therapies that fight diseases such as cancer, cardiovascular disease, diabetes, hepatitis B,

HIV/AIDS, rheumatoid arthritis, and psychiatric disorders. It needed to transform business processes to comply with the Sunshine Act. The organization’s annual revenue in 2011 was \$21.1 billion, and it has a portfolio of five blockbuster drugs.

The Challenge

The Transparency Project was created to meet the client organization’s need to comply with the regulations of the Sunshine Act and state aggregate spend requirements. The client’s existing IT processes and capabilities presented several challenges that made compliance difficult:

- Multiple disparate data tracking methods were used for capturing physician payments and transfers of value.
- Payment information was not being captured to the level of detail required for reporting purposes.
- Manual entry of key physician identifiers into multiple systems added complexity to payment verification.
- Physician identifiers were not universal.
- Terminology was inconsistent across systems for similar payment “types.”

Overcoming these challenges meant re-engineering the client’s processes – automating and streamlining them in order to reach a state of transparency where proactive monitoring and tracking of spend data were possible.

The Solution

Our Customer Solution Practice (CSP) leveraged the Pega BPM suite to implement capabilities that are core to the Transparency Project.

The application is built on Pega Version 6.1 and interfaces with eleven of the client's existing systems through a webMethods middleware layer using JMS, SOAP and file protocols.

Functional Overview

The solution involves the interactions of several groups: the core business teams from sales and

marketing and R&D, executive business teams, the legal team, representatives from co-promotional partners, the client's vendors (such as agency of record, contract and logistics vendors), finance and the compliance team.

The solution enables the planning and execution of consulting engagements such as advisory boards, payer advisory boards, educational services, content preparation workshops, etc. With future releases, the application will be extended to investigator meetings management and speaker programs.

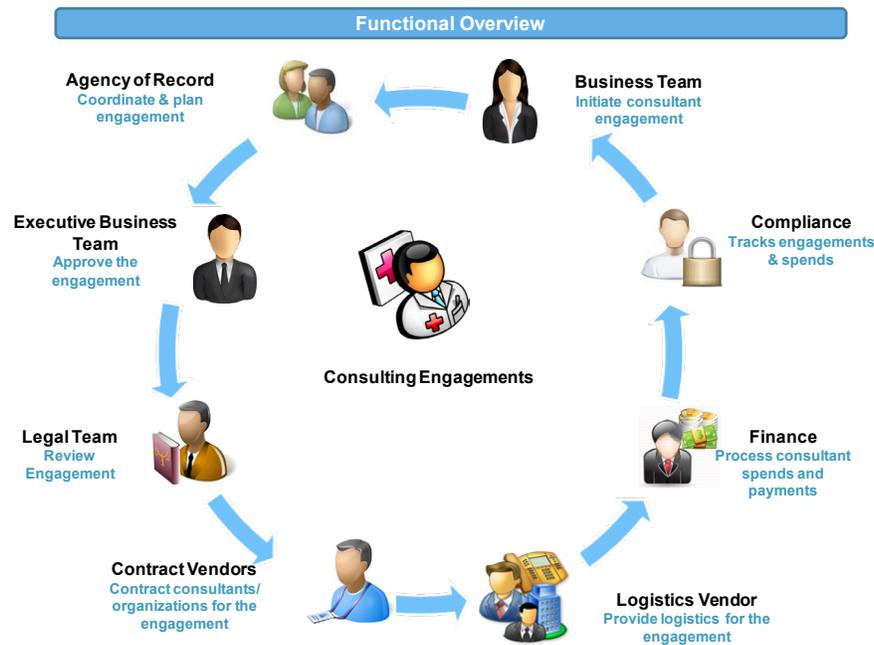


Figure 1

Process Overview

The solution standardized business processes to manage and monitor consultant engagements proactively.

The solution also has an administrative module to manage user access, master data, configure business rules, legal triggers, spend limits, and upload fair market values (FMV) ranges for a consultant based on specialty and type.

By re-engineering the business processes and integrating disparate systems (including the customer master, product master, contract

management systems, logistics systems- meeting operations and attendee management, the expense vendor systems and payment systems), the solution:

- Eliminates manual entry of consultant identifiers.
- Standardizes payment types to enable verification.
- Captures details that are required for transparency reporting.
- Plans, monitors, and tracks engagements involving consultant and organizations (such as a teaching hospital).

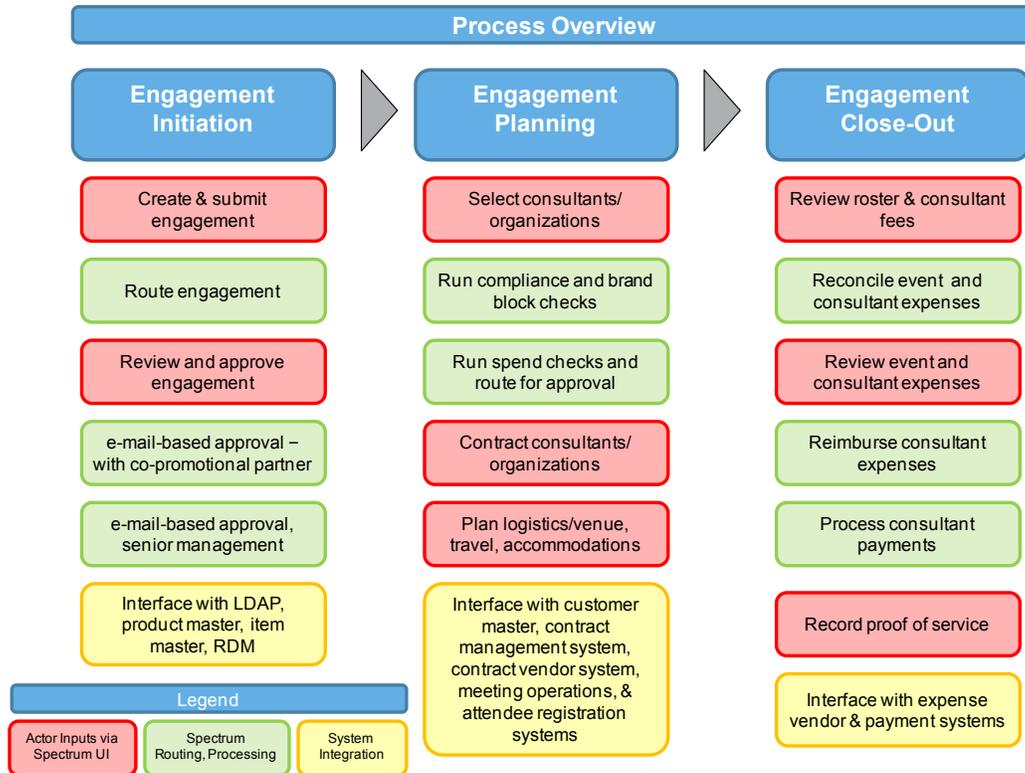


Figure 2

The solution also has enabled the client to move beyond compliance by implementing best practices such as:

- Consultant payments based on FMV ranges.
- Configurable spend limits for consultants.
- Proactive tracking of planned and completed consultant spends across engagements by division and brands.
- Flagging of high-risk consultants (for compliance reasons).

Project Details

The solution's first release was divided into two phases. Phase 1 of the solution went into production in October 2011. Phase 2 went into production on February 2012. The solution's second release is scheduled for the end of 2012.

Pega's Direct Capture of Objectives (DCO) methodology and Business Intelligence Exchange (BIX) framework are used extensively in this implementation.

Client Quote

"This has been a very interesting project by any standard and it is thrilling to see it at this juncture. Not many systems can claim similar sophistication, both from a business process perspective and from a systems perspective. The consulting engagement's business process spans six disparate organizations, and Spectrum integrates with eleven other systems to make it happen!"

- IT Project Manager

As the core of the Transparency Project, the solution needed to interface with eleven existing and supporting IT systems. The system testing and UAT phases were extremely collaborative in nature.

Several important lessons were realized during the solution's Phase 1 release. They are being applied to subsequent release. These lessons include:

- The use of Pega's DCO methodology enables success by facilitating a quick understanding of requirements.
- A UI specialist and frequent playbacks accelerates requirements review time.
- Incorporating regular "knowledge transfer" sessions helps the team embrace the iterative model.
- Align resources to project milestones.
- User training should be an ongoing process and training material must be updated continuously.
- Treat change requests as "mini" projects and deliver iteratively.

The Benefits

Automation: More than 14 existing user tasks that previously were performed manually via e-mail and the exchange of paper-based reports have been automated.

Standardization: Established standardizations and pharmaceuticals industry best practices across six disparate business groups within the client organization - including FMV, spend limits, rules-based legal triggers, and approval requests - which can be configured by the business.

Integration: Eight of the eleven integrated systems which were previously disparate are now connected.

Compliance: The client now meets the regulation requirements of the Sunshine Act, which potentially can save millions of dollars in compliance penalties.

Proactive monitoring and reporting: The solution delivers business activity management reports for visibility, along with SLAs and notifications to ensure timeliness.

Practice Overview

Cognizant's dedicated BPM Practice was started in 2002, and today boasts a highly specialized team of 3100 BPM architects and developers, 120 BPM business analysts and 500 BPM testers. Combined, our BPM team of professionals has more than 9500 person years of BPM experience, and more than 300 in-flight BPM projects for our over 125 BPM customers. Cognizant is one of the world's largest SI vendors in the BPM space, and we have over 2400 Pega-certified associates.

Start Today

In a time when companies are relentlessly pushing to compete better, move faster and fight harder, Cognizant is the global technology partner with one single-minded passion: Dedicating our systems expertise, industry intelligence and global resources to make your business stronger

Note:

For more information on how to drive your business results with Cognizant, contact us at inquiry@cognizant.com or visit our website at <http://www.cognizant.com>.

About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world's leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 140,500 employees as of March 31, 2012, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world. Visit us online at www.cognizant.com or follow us on Twitter: Cognizant.



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