Pharma Sales Crediting: Incentives for Accurate & Compliant Processes

Incentive compensation in the pharmaceuticals industry is filled with complexities and nuances. Understanding data sources, sales territories and industry regulations is the foundation for a process that should keep reps focused on business results.

Executive Summary

Designing and implementing a pharmaceuticals sales incentive program to measure and reward the performance of individual sales representatives isn’t a trivial pursuit. The first step is to establish quotas that account for market potential and market access. The next step is to measure success against those benchmarks.

Most pharma companies purchase prescription sales data collected at U.S. pharmacy chains by healthcare information providers as their primary input to compute incentive payouts for their sales reps. From this point on, the complexity grows exponentially. First, organizations must ensure that prescription sales data is correctly mapped to their internal systems; further, they must run the data against their business rules to remain in compliance with federal and industry regulations.

Sales reps should get credit only for promoting brands approved by the brand team and/or detailing healthcare practitioners (HCPs) approved by regulatory bodies. The process is crucial for avoiding violations and litigation, but there is no standard methodology and the potential for process gaps is high.
A well-documented, audit-ready process for compensating the sales force is necessary to demonstrate that there are no incentives to encourage noncompliant activities.

This white paper examines these complexities and risks, identifies requisites for a robust sales crediting process, and highlights the checks that should be in place to discover and mitigate hazards. It captures best practices in sales incentive program management to help companies drive performance in their sales organization and avoid costly errors.

**BUT FIRST, SOME BUSINESS CONTEXT**

The U.S. pharmaceuticals industry is highly regulated and subject to constant scrutiny by state and federal government agencies. Among the laws with which commercial operations within a pharma company must comply are the federal Anti-Kickback Statute, the Medicaid Drug Rebate Program, the Prescription Drug Marketing Act and the Physician Payments Sunshine Act.

During the last few years, more than 30 pharma companies have entered into corporate integrity agreements (CIAs) with the U.S. Office of the Inspector General (OIG) for the Department of Health and Human Services. The OIG negotiates CIAs with health care providers, pharma companies and other entities as part of a settlement resulting from investigations into federal health-care program violations. When an entity agrees to the obligations, the OIG (in exchange) agrees not to seek its exclusion from participation in Medicare, Medicaid or other federal healthcare programs.

CIAs enforce compliance with healthcare regulations and are typically valid for five years. Violation of the CIA leads to heavy financial penalties, and may require a pharma company to enter into a second or third CIA. Accordingly, a well-documented, audit-ready process for compensating the sales force is necessary to demonstrate that there are no incentives to encourage noncompliant activities.

In addition to federal and state laws, several medical organizations have rules that impact pharma sales incentives programs. For instance, the American Medical Association (AMA) provides a means for physicians to opt out of allowing pharma sales reps to have access to their prescribing data. Pharma companies are required to monitor the list of opted-out physicians quarterly, and if an audit finds that a sales rep was compensated for prescriptions from such a physician, then the company faces fines.

**Setting and Adjusting Quotas**

Determining the proper quota for each sales territory requires collaboration with brand teams and the market intelligence, market access and human resources departments. Formulary decisions by payers and health systems increasingly
Most pharma companies have several types of sales roles. One team may have reps selling multiple products; another may have its reps selling a single blockbuster brand. Additionally, there are hybrid, overlay and mirror teams to promote products and compete in certain markets.

Affect the rep’s ability to influence prescription volume. Also, since payer market share varies by region of the country, changes in formulary status affect sales territories differently by brand. Quotas need to reflect the increase in market potential when a new or existing drug receives preferred status on a formulary list by a payer with significant market share in a rep’s territory, and the quota should decrease when it becomes a non-preferred brand.

Leading pharma companies’ sales incentive plans must identify payer influences, capture sales at the payer level and adjust quotas based on their influence.

**Sales Crediting**

Sales crediting can be summarized as the process of aggregating prescription sales at the prescriber level (or unit or dollar sales at an account level) to customized geographies using multiple data sources, and then assigning these geography-level sales to a sales rep’s territory. This data is then aligned with individual sales reps, and is then rolled up to district or regional managers.

Prescription sales data is collected at U.S. pharmacy chains by data vendors and sold to pharma companies. Typically, the following information is available:

- **NRx**: This represents new prescriptions, meaning it is the first time a patient has been prescribed a particular drug.
- **TRx**: This represents total prescriptions sold, including new prescriptions and refills.
- **NBRx**: This represents new-to-brand prescriptions.
- **APLD**: This provides longitudinal data on patients over time (i.e., which therapies were aligned with which claims filed; were the claimants hospitalized; etc.).

Sales territories are often difficult to define. In fact, most pharma companies have several types of sales roles. One team may have reps selling multiple products; another may have its reps selling a single blockbuster brand. Additionally, there are hybrid, overlay and mirror teams to promote products and compete in certain markets. Because of these complexities, there are inherent challenges in aligning prescription data to the proper territory or territories and ensuring each sales rep is appropriately compensated.

Pharma companies can face lawsuits from their own sales reps for incorrectly calculating incentive payments. Even without a lawsuit, pharma companies will invest considerable time and effort reanalyzing data and rectifying mistakes. Incorrect sales crediting and inaccurate payouts can demotivate sales representatives.
There are complexities associated with each parameter within the sales crediting process (see Figure 1). Pharma companies must identify and resolve these complexities in advance to ensure accuracy and regulatory compliance.

**CHALLENGES IN REGISTERING A SALES SCRIPT**

Sales reps invest significant time in detailing the biological science and patient benefits of the products they represent to HCPs to generate a prescription - or “script.” However, sales reps also invest their time in “chasing the script,” requesting that management assign missing credit for sales from an HCP that they detailed. This is time better spent on promoting the company’s drugs and increasing sales.

Each script written by an HCP and filled by a pharmacy can influence a rep’s compensation, but several factors can affect the outcome:

- Sales reps promote their drug, but HCPs will use their best judgement to write a script while consulting the patient. The patient may influence the decision based on their health plan coverage.
- When the patient goes to a pharmacy to get a prescription for a brand-name product filled, the pharmacist may recommend an alternative drug such as a generic version or one with a better formulary status, helping the patient save money on the co-pay.
- When the patient is ready for a refill, there are two opportunities for loss of sales credit:
  - Patient visits the HCP for consultation and based on the response to the initial treatment the HCP recommends a different drug, diminishing sales for the rep.
  - The patient visits a pharmacy for a prescription refill, and the pharmacist recommends an alternative version of the same therapy to the patient, who accepts that option, resulting in the loss of a sales script for the rep.

Figure 2, next page, depicts a schematic flow of the sales script generation process.
CHALLENGES A VIGILANT SALES CREDITING PROCESS CAN RESOLVE

While building a sales crediting process, the compliance challenges faced by a pharma company fall into two broad groups:

- **HCPs involved in litigations or lawsuits**: A pharma company’s sales reps should not detail HCPs who are facing a lawsuit or have litigation pending. If they do, they put their company at risk of compliance violations if it is hit with a federal or internal audit.

- **Brand-approved HCPs**: Every brand team has a set of approved specialties for a given therapeutic area, and they want their reps to target HCPs only from these approved specialties. Hence, it is important to include HCPs only from brand-approved specialties and exclude those from any other specialty.

Alignment and data challenges include:

- **Assigning sales**: There are many instances where an HCP is present in two different territories and is detailed by different reps. In such cases, it is imperative to ensure that both the reps are credited for this HCP.

- **Verifying inbound data**: An ideal sales crediting process should always match product ID numbers (own vs. competitor) in the sales data with those present in the brand-specified market definition. At times, data vendors may miss client-specific product ID numbers, which can lead to incorrect sales crediting. Missing a product ID may not have significant financial impact, but it could become a compliance issue.
Key legal challenges include:

- **Sales rep roster changes:** Sales reps should get credit for the territory they serve within a defined period of time such as a quarter or half year. A sales crediting process should be equipped to handle frequent alignment hierarchy changes, which could help a company avoid lawsuits by their own reps who believe they have not been paid fairly for the territory they served.

- **Sales crediting rules definition:** Sales crediting rules should be easy to understand for sales reps and clearly defined by a pharma company. This can help a company avoid litigation when sales reps know up front which HCPs are credited to them and which HCPs are blocked.

### Sample Rules for the Sales Crediting Process

Examples of some rules that can be applied in a pharma company’s sales crediting process are shown in Figure 4.

When such rules are applied to a sales crediting process, they affect the customer universe as shown in 5, next page.

### Sample Rules for Sales Crediting Process

<table>
<thead>
<tr>
<th>Product</th>
<th>Channel</th>
<th>Business Rule</th>
<th>Description of business rule</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prod A</td>
<td>Retail</td>
<td>Specialty</td>
<td>Approved specialty for Prod A so that HCPs with these specialties were eligible.</td>
<td>Inclusion</td>
</tr>
<tr>
<td>Prod A</td>
<td>Retail</td>
<td>NRP PHA Inclusion</td>
<td>Include nurse practitioners and pharma assistants.</td>
<td>Inclusion</td>
</tr>
<tr>
<td>Prod A</td>
<td>Retail</td>
<td>Customer Master</td>
<td>Exclude HCPs that are not present in customer master.</td>
<td>Exclusion</td>
</tr>
<tr>
<td>Prod A</td>
<td>Retail</td>
<td>Dead Retired</td>
<td>Exclude dead or retired HCPs.</td>
<td>Exclusion</td>
</tr>
</tbody>
</table>

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**Figure 3**

**Figure 4**
A sales crediting process should be equipped to handle frequent alignment hierarchy changes, which could help a company avoid lawsuits by their own reps who believe they have not been paid fairly for the territory they served.
BEST PRACTICES FOR QUALITY CHECKS

From our experience serving the pharma industry, the following practices must be established to ensure an efficient and compliant sales crediting process:

- Double counting of prescription sales - measured in TRx, NRx or any other unit - should be avoided at the district or higher level.
- Enhanced checks should be put in place to ensure certain inclusions/exclusions are applied:
  » Nurse practitioners or pharma assistants.
  » Dead or retired HCPs.
  » HCPs not present in customer master, etc.
- Compare sales of the current period (month, quarter or semester) with the previous period to identify mismatches in credited data. Similarly, make additional checks against the baseline. These mismatches may be caused by a data vendor’s sales data restatements or physician profile corrections, for example.
- Validate the list of eligible HCPs used in the sales crediting of a given territory with the call plan that the sales reps receive for this territory. This validation will ensure reps get credit only for those HCPs that they detail, which ensures fairness in the process.

A sample checklist for ensuring the sales crediting process has run successfully is shown in Figure 6, next page.
LOOKING FORWARD

A sound sales crediting system is a mechanism to maintain compliance and avoid legal issues. It relieves leadership from worries related to compliance by engraving proper checks into each detail of a complex system. An efficient sales crediting system will ensure timely delivery of performance results for incentive compensation processing.

Tracking the sales rep’s performance accurately is the foundation for attributing value to his or her contributions. It increases overall confidence in the compensation methodology and motivates the field to perform better. They will spend less time “chasing the script” and will focus on driving sales. This, in turn, will reduce the number of queries from sales reps. It will assure them that the results of their hard work – increasing awareness among HCPs, bringing the right drug to the patient and boosting the company’s sales – are correctly captured and credited.

Sample Checklist for Sales Crediting Process

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of the rule</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sales crediting rules.</td>
<td>All business rules (i.e. inclusion/exclusion) are captured in a proper sequence with filters applied.</td>
</tr>
<tr>
<td>2</td>
<td>Linking sales crediting rules to code.</td>
<td>Business rules and all other data files are correctly linked to sales crediting code.</td>
</tr>
<tr>
<td>3</td>
<td>Specialty compliance.</td>
<td>Check for incorrect specialties that are blocked.</td>
</tr>
<tr>
<td>4</td>
<td>Prescriber block.</td>
<td>Check for ineligible prescribers that are blocked.</td>
</tr>
<tr>
<td>5</td>
<td>Sales variance with previous month/quarter at geography level.</td>
<td>Check for absolute difference of sales between months/quarters and investigate those differences.</td>
</tr>
<tr>
<td>6</td>
<td>Check against call plan.</td>
<td>Validate whether all the HCPs present in the call plan of a given territory are present as eligible HCPs for that territory.</td>
</tr>
</tbody>
</table>

Figure 6
FOOTNOTE


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