

Pharmaceuticals & Medical Products Practice

Winning against COVID-19: The implications for biopharma

How companies act individually and collectively in the next few weeks and months will shape the outcome of the pandemic and the reputation of the biopharma industry for decades to come.

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Pandemics, like other humanitarian crises, are times of great change and uncertainty. The society that emerges in the wake of COVID-19 will be different. People's behavior and values will change in ways we can't predict. Health systems will be fundamentally altered. The pace of adoption of some new technologies, such as telemedicine, may step up. Patient journeys will be transformed through new settings of care. Health systems will face different priorities and pressures on funding, depending on the depth of the economic downturn and the pace of recovery.

In these unprecedented times, the world is looking to the biopharma and medical-products industry for a response. Its contribution spans testing, ventilators and other critical medical devices, repurposed and novel therapeutics, and vaccines. Beyond that, it provides the only path to whatever next normal we may find on the other side. It is the source of hope and the primary path to

mitigating and, ultimately, helping resolve a potential humanitarian catastrophe.

How companies act individually and collectively in the next few weeks and months will shape the outcome of the pandemic and the reputation of the biopharma industry for decades to come.

Our thinking, like yours, is evolving from day to day. Below we share perspectives we have developed following discussions with industry leaders and stakeholders, and from what we are seeing more broadly. We have divided them into three horizons anchored in our 5R framework (Exhibit 1):

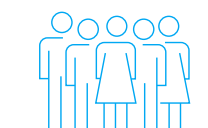
- *Immediate crisis response* (Resolve)—where most companies are today
- *Shaping the recovery* (Resilience, Return)
- *Shaping the next normal* (Reimagination, Reform)

Exhibit 1

Pharmaceutical and medtech companies should plan along three horizons.

The 3 horizons

1 During the crisis



Resolve

Address the immediate challenges that COVID-19 represents to institution's workforce, customers, technology, and business partners

2 As healthcare systems start to recover



Resilience

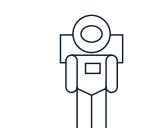
Address near-term cash-management challenges and broader resiliency issues during virus-related shutdowns and economic knock-on effects



Return

Create detailed plan to return business to scale quickly as COVID-19 situation evolves and knock-on effects become clearer

3 As you settle into the new normal



Reimagination

Reimagine the next normal: what a discontinuous shift looks like and implications for how institutions should reinvent



Reform

Be clear about how regulatory and competitive environments in industry may shift

Immediate crisis response

Here, our sense is that most companies have acted decisively in standing up “nerve centers” to plan for the challenges to come. We see the primary imperatives as follows:

- Keeping employees safe.
- Managing the transition to effective home working, using new technologies and exploring new ways of connecting.
- Maintaining business continuity: preparing for possible site closures and distribution delays; evaluating the need for new sources of supply for raw materials, active pharmaceutical ingredients (APIs), and outsourced products; introducing new safety measures.
- Ensuring the supply of medicines to patients and physicians and ensuring treatment and support for non-COVID-19 patients, some of whom are particularly vulnerable to the virus. Some companies in the United States have recently taken the step of extending their patient support programs with this in mind.
- Identifying immediate implications across the value chain, by market and by therapeutic area, and, where applicable, planning how to respond to huge spikes in demand that are putting pressure on supply chains.
- Mobilizing to help fight the pandemic by contributing to the supply of tests, medical equipment, and devices as well as the development of repurposed therapies and vaccines. As of early April, we tracked more than 200 vaccine and therapeutic candidates in development—an unprecedented level of mobilization within three months. Companies are also stepping in to donate funds or products—

such as Novartis, Bayer, and Sanofi, who have committed to donating chloroquine, should that prove effective in addressing the virus—and adding their capabilities and expertise to national and global efforts.

Shaping the recovery

The key is for the industry to engage proactively, and positive signs are already emerging. We urge companies to take a health systems' view and ask where we can make the biggest difference.

At a company level, we encourage you to set up a plan-ahead team¹ that works across all time horizons to help you to stay on top of escalating issues and make the right decisions. To navigate the huge uncertainties ahead, model a broad range of scenarios covering both the epidemiological and economic perspectives. We have developed nine macro economy-wide scenarios and explored four in greater depth (Exhibit 2). The implications for each company will of course differ.

To help shape the recovery, consider the following critical steps:

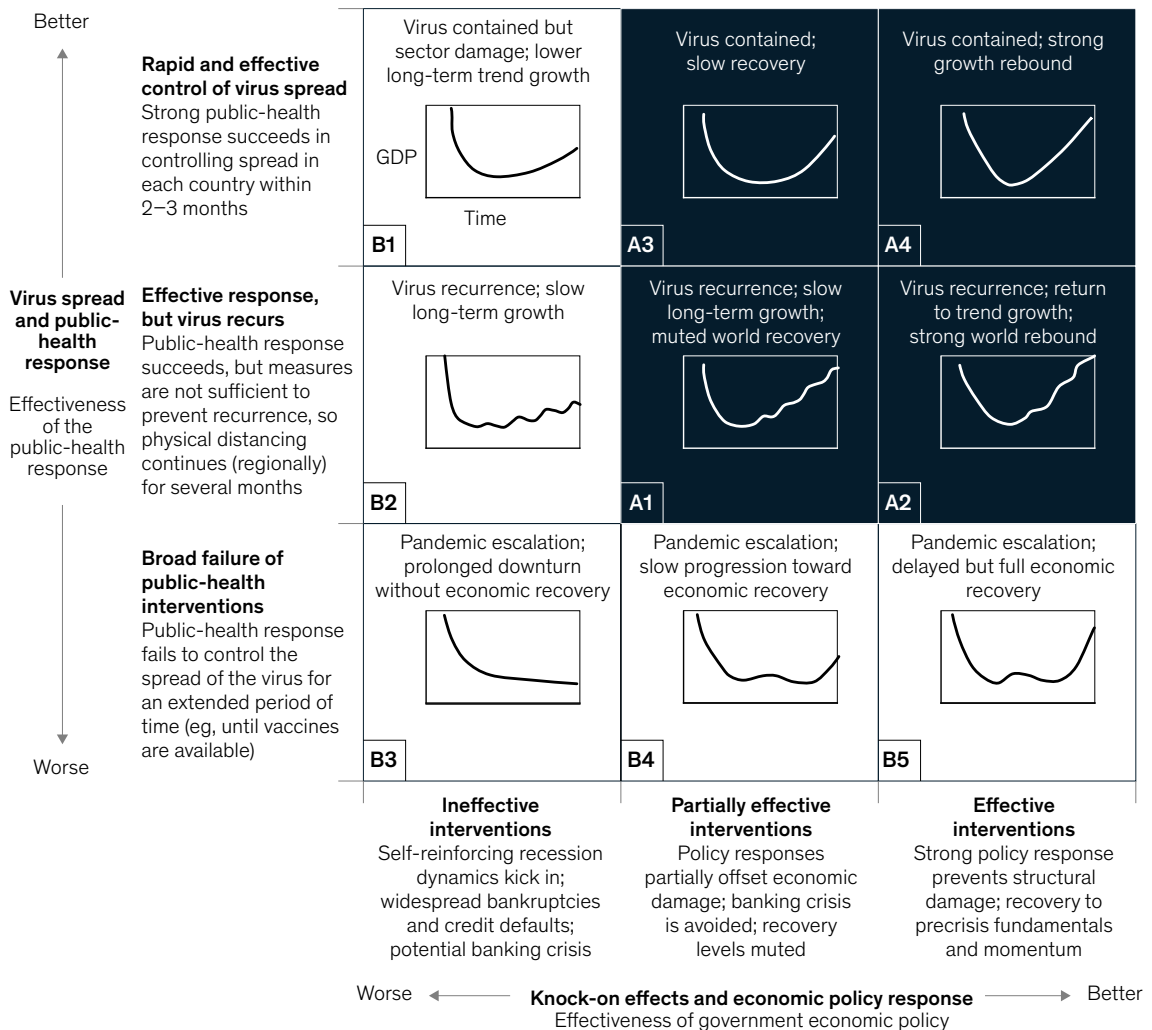
- Taking an end-to-end view across the value chain to assess the implications from the pandemic and identifying the challenges and areas where the disruptions from the pandemic may accelerate change.
- Staying close to your customers and stakeholders. In particular, what do healthcare providers need? When will they have the capacity to engage with you?
- Planning how to support patients through uncertain and anxious times, focusing on how they are experiencing the crisis and taking a granular view by therapy area and geography.

¹ Yuval Atsmon, Chris Bradley, Martin Hirt, Mihir Mysore, Nicholas Northcote, Sven Smit, and Robert Uhlaner, “Getting ahead of the next stage of the coronavirus crisis,” April 2020, McKinsey.com.

Exhibit 2

Scenarios for the economic impact of the COVID-19 crisis.

GDP impact of COVID-19 spread, public-health response, and economic policies



Different health systems will emerge from the crisis at different rates and in different ways. There may be stark differences even within countries such as the United States and China.

Looking across your business, consider the following:

- Accelerating your transformation, especially in using digital and analytics tools and adopting digital channels to engage with healthcare professionals, such as telemedicine or remote consultation. In a recent April survey,

physicians reported a sixfold spike in remote patient engagement across specialties and geographies—a trend that many of these physicians believe will endure post-crisis.² New channels may also emerge to further address patient needs during the crisis. The use of customer-facing field personnel also could be uncertain for some time to come. In China, some pharma companies have used the enforced pause to refine their go-to-market model and invest in digital capability-building for physician engagement.

² Ortal Cohen, Brian Fox, Brent Hooper, Nicholas Mills, Rukhshana Motiwala, and Peter Wright, "COVID-19 in pharma commercial: Navigating an uneven recovery," forthcoming on McKinsey.com.

- Developing contingency plans for launches over the next six to 12 months, recognizing that health systems are coming under enormous strain in many markets, with the pandemic putting frontline healthcare professionals at considerable risk and exacting a heavy personal toll.
- Seizing opportunities presented by remote working and spare capacity among field sales representatives and other groups to accelerate capability development. Past experience indicates that the capability gap between those who successfully adapt and those who fall behind widens during crises. We are seeing companies building muscle in driving change and boosting digital and analytics skills among key cohorts.
- Taking a forensic view of your supply chain and operations to derisk key elements such as in-market supply, while also deepening your capabilities in data availability and transparency and modelling capacity needs.
- Developing granular, data-backed plans on “when” and “how” to restart paused trials as well as ensuring existing trials can continue to retain patients using quick-win tools, such as telemedicine, sending drugs directly to patients, and travelling nurses. At an industry level, more than 2,800 trials and nearly a million trial patients—accounting for more than 80 percent of multisite trials sponsored by pharma companies—are at sites that are in locations that are now partly or fully locked due to COVID-19. In addition, starting new trials and sites in this environment is challenging; a recent survey showed that over 75 pharma and biotech companies are facing significant disruption in their clinical trials.³ One especially urgent task is to identify and decide how to address those trials for which data may already be compromised.
- Accelerating productivity improvements to create head room to respond to the pricing and

access challenges that major economic shocks could bring, and taking a forward-looking view on how to increase the agility of operating models for countries and therapeutic areas to handle demand shocks better.

- Evaluating bold moves, such as undertaking M&A in adjacent segments or deepening integration between digital and health tech.

At an industry level, we see many signs that companies are coming together in exciting new ways.⁴ We believe now is the time for a critical shift from a competitive to a collaborative mindset based on shared humanitarian goals. By pooling capabilities, pharma companies could unleash a huge wave of innovation. Positive steps to consider include the following:

- Continuing to deepen your collaborations in R&D, including supporting biotechs by providing them with access to your capabilities and capacity, and sharing data, assets (such as compound libraries) and platforms to accelerate the approval of vaccines and therapeutics.
- Working with industry peers to shape new modes of engagement with regulatory bodies and establishing trial infrastructure and regulations that are better equipped to withstand future disruptions with more robust data management, remote trial capabilities, and real-world-evidence-based regulatory processes.
- Deepening collaboration in manufacturing, taking advantage of collective capacity and capabilities to rapidly scale up vaccines and therapeutics, particularly from biotechs. An encouraging collaboration model is the recent announcement by several plasma manufacturers to work collectively to produce a single unbranded product.
- Continuing to commit resources to support the needs of health systems. For example, Pfizer and Merck are enabling employees who are licensed medical professionals to volunteer

³ Selina Koch, “Survey says: Companies seek regulatory flexibility as COVID-19 makes clinical disruptions the new norm,” Biocentury, March 25, 2020, biocentury.com.

⁴ C. Simone Fishburn, “Pharmas on one page with action plan to solve COVID-19 together,” Biocentury, March 25, 2020, biocentury.com.

We propose taking a dynamic view of emerging scenarios, identifying no-regrets moves and looking for ways to emerge stronger from the crisis.

on the frontlines providing services such as public-health support, diagnostic testing and treatments, and patient services. Eli Lilly has medical professionals staffing a free drive-through COVID-19 testing facility at its corporate headquarters in Indianapolis as a service to the community.⁵

- Engaging in transparent, responsible behavior, as exemplified in AbbVie's decision to give up its intellectual-property protection on Kaletra. Proactive engagement with external stakeholders—regulators, global agencies, health systems—will help the whole healthcare ecosystem navigate the fast-evolving crisis.

Shaping the next normal

This is the right moment to start shaping how you want to be operating two years from now and reflect on the choices that you will have to make as a biopharma leader. At a company level, you will need to navigate numerous uncertainties, including the level of economic disruption caused by the pandemic, and the nature of the response from governments, regulators, and health systems. This will be a marathon, not a sprint. We propose taking a dynamic view of emerging scenarios, identifying no-regrets moves and looking for ways to emerge stronger from the crisis. Shaping the next normal could involve the following:

- Committing to pushing the boundaries on digital, data and analytics, and customer-centricity—for both patients and healthcare professionals.

- Evolving your perspective across the value chain and ecosystem, including the greater use of shared platforms in research.
- Embracing both patient- and principal investigator-centricity to drive trial design and conduct: including protocols that reduce patient burden and, as one of many tools toward that goal, deploying digital and remote engagement platforms, such as remote assessment of vitals and end-points, to increase virtualization of trials. Among major pharma companies, 60 percent are already using telemedicine for trial visits in response to the COVID-19⁶ crisis and more seem likely to follow.
- Looking across the value chain to identify how to build more resilience in the network and finding the right trade-off between global efficiency and local resilience. Implementing operations and supply chain 4.0, with greater site automation and more flexible manufacturing platforms, could speed up supply-demand response rates. With an "Amazonification" of the pharmacy value chain on the horizon, companies also need to prepare to service new direct-to-patient channels.
- Considering bold moves in areas such as productivity improvements and cost reductions, M&A, new ecosystems of collaborations, and increased use of health tech to improve patient outcomes.

Across the industry, we believe companies need to work together not only to shape both a positive

⁵ "Medical professionals across Merck & Co., Inc., Pfizer Inc., and Eli Lilly and Company activate to support health systems, first responders and patients amid COVID-19 pandemic," Pfizer, April 1, 2020, pfizer.com.

⁶ McKinsey Clinical Operations Roundtable Survey, April 2019.

outcome for the pandemic but to safeguard their broad license to operate in the decades ahead. There is a real imperative for change to get to a better next normal. Here are our suggestions:

- Deepening engagement with governments, bearing in mind the potential implications of more locally driven agendas over the next few years, with respect to local manufacturing capacity, and product security. Indeed, governments may see health through a similar lens to that of defense—one of national security requiring controls.
- Collaborating with relevant stakeholders to shape an economic model that makes it compelling for the industry to invest in preventing pandemics and working on areas subject to market failures, such as anti-infectives and antimicrobial resistance. How can the industry ensure lessons are learned from the crisis so that nothing on this scale can ever happen again?
- Planning for other possible “black swan” events, such as biosecurity hazards and cybersecurity threats.
- Building closer industry-wide collaboration in R&D and manufacturing, with fewer silos and faster joint innovation, and cultivating a new mindset of collaboration both across the industry and between biotech and universities.
- Considering the potential for a more fundamental shift to prevention (which typically accounts for just 4 to 6 percent of today’s healthcare spending), giving greater prominence to considerations for the health of the broader population and raising questions on how the industry should participate in this broader dialogue.
- Developing new contracts and nurturing closer relationships with health systems, payers, healthcare professionals, and patients.

This is a historic moment of danger and opportunity—or, in Mandarin, 危机, the two characters that make up the word “crisis.” It is no exaggeration to say the industry holds our future in its hands.

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