



Consumption Based Pricing for Document Outsourcing – Save Costs while De-risking In Clinical Trials

Moving away from fixed up front costs.

According to a survey conducted by Tufts Center for the Study of Drug Development, the average cost of bringing a new drug to market is around \$2.6 billion. In shifting to consumption-based cost systems, clinical trial organizations can significantly reduce risk and improve their bottom line.

Although moving away from large, fixed costs to a more beneficial variable cost system is a well-established practice, some business processes have been slower in full adoption. Once such area is clinical documentation, a vital regulatory component critical to bringing a new drug to market.

Clinical trials are heavily regulated and require extensive documentation to ensure the safety and effectiveness of new treatments and therapeutics. Traditionally companies approach this requirement through a mix of maintaining documents in-house and software solutions. In-house document management can result in expensive and highly trained clinical teams being taken away from critical tasks to perform menial and repetitive labor.

Software solutions that have attempted to simplify the process typically have high fixed upfront costs, monthly service fees and require specific tool training. This can lead to bottlenecks, low adoption and increase overall trial costs.

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Historically documents are processed, updated, and submitted by clinical teams or centrally processed and delivered from singular or regional storage facility. Often quality and consistency are negatively affected, as well as an unaddressed challenge of keeping files continually updated over multiyear studies. It has been shown that the traditional practice of printing the complete trial document upfront has a significant startup cost, with



further costs for physical storage of the content. Upfront printing increases inaccuracies when updating documents as any new touchpoints introduces potential for errors. Ultimately should a trial end up having less sites than originally envisaged, then all unneeded documents will have been paid for, stored, and wasted. This can increase overall documentation related costs by up to 35%.

Unfortunately, the change-resistant nature of business leads to a reluctance to address a working, albeit flawed system. A considerable cost could be saved if clinical research organization rethinks its approach to document production and distribution.

Moving to Consumption Based Pricing

Consumption based pricing systems, where a vendor is paid based on the actual services they provide when they provide them, provide several benefits over the traditional fixed fee model for clinical trial document management.

Cost Savings and Improved Efficiency

Consumption based pricing models enable sponsors to only pay for the specific services they use, resulting in significant cost savings “using of a flexible consumption model has enabled organizations to run at a significantly lower cost – 23% on average” 2022 IDC Research, Inc. IDC. By only paying for the services they use, sponsors and researchers avoid paying for unnecessary or underutilized services. Sponsors can more accurately allocate resources, scale up or down as needed, and ultimately improve trial efficiency and reduce overall costs

Reduced Financial Risk and increased Flexibility

In the traditional fixed fee model, sponsors are required to pay upfront for services that may not be used if the trial is terminated early or experiences slower enrollment than expected. With the consumption-based model, sponsors and researchers only pay for services as they are used. This can also help sponsors mitigate overall financial risk through utilization which “ allows the outsourcing firm to reduce its fixed cost and convert it into variable cost” (Kakabadse et al., 2000). Greater flexibility for clinical trial sponsors is achieved by allowing the scaling up or down based on the changing needs of the trial. For instance, if a trial experiences slower enrollment than expected, the sponsor can reduce the services provided by vendors,

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reducing costs accordingly. Conversely, if enrollment is faster than expected, the sponsor can increase services to support the additional participants.

Cost Control and Transparency

With fixed upfront fees, it can be challenging to determine the true cost of individual services or vendors. However, with consumption-based pricing systems, sponsors can see precisely what services and products were provided with the exact date and costs, enabling greater cost transparency and analysis, providing greater transparency into the true costs of managing clinical trial documentation.



Conclusion

In the traditional fixed cost model, clinical trial organizations assume all financial risk associated with managing and optimizing each purchase. In a consumption costing system, the risk is shifted to the vendor providing the resources, as they are responsible for managing and optimizing the resources they provide. Switching systems reduces the financial risk for clinical trial organizations. Additionally using a variable cost model can improve cash flow by avoiding large upfront expenses and paying for resources as they are needed. Consumption based pricing systems offer several benefits for clinical trial document management, including flexibility, cost savings, reduced financial risk, transparency, and improved efficiency.

As clinical trials continue to increase in cost companies must adopt a proven approach to rethink and re-engineer their processes. Partnering with a trusted provider, like docs24, to implement a consumption-based pricing model for their documents can provide significant benefits. It's essential that all parties involved understand the clinical and regulatory domains to anticipate and remove bottlenecks. By working together docs24 can assist in making your clinical trials more efficient, cost-effective, and remove document bottlenecks altogether.

References

Kakabadse, Andrew & Kakabadse, Nada. (2000). Sourcing: New face to economies of scale and the emergence of new organizational forms. Knowledge and Process Management. 7. 107-118. 10.1002/1099-1441(200004/06)7:23.0.CO;2-K.

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enquiries@docs24.co.uk

+44 131 2261112

www.docs24.co.uk