

The Top Five 2014 Trends in Healthcare

(Source: an article prepared by Antoinette Alexander and published by Drug Store News; Kalorama Information)

Telemedicine and a growing demand for biopharmaceutical medications were among the top trends in health care in 2014, according to Kalorama Information, a division of MarketResearch.com, a leader in worldwide business intelligence and syndicated market research in the life sciences. "There were many issues and trends, but we think these five were the most interesting and significant," said Bruce Carlson, publisher of Kalorama Information. "These were the events that significant companies will have to adjust to."

(1) *BRIC Growth Good But Not As Good* - BRIC nations (Brazil, Russia, India and China) demonstrated economic growth that was faster than the United States markets but not as fast as in previous years. For instance Brazil at 2.5% and China at 7.7%, showed high growth but not as high as 2010 (both countries at 10% growth). Kalorama believes this will impact manufacturer plans to use these emerging markets to counter slow revenue growth in developed markets.

(2) *The Next-Generation Sequencer Evolves Into Clinical Medicine* - there is high interest in the healthcare industry in using lower cost, smaller size and fast DNA sequencing for better understanding of disease and specific abnormalities, particularly in enhancing the study of tumors. The increased use of sequencing may enhance some existing test products and may compete with others.

(3) *Interest in Patient Monitoring Solutions and Telemedicine* - for better outcomes and more efficient care. Remote patient monitoring systems inside hospitals or connecting health care workers to patients at home continue to demonstrate revenue growth and customer demand. The market is expected to reach US\$29 billion by year-end and will grow at a rate of 9% for the next four years, according to Kalorama.

(4) *Demand for Biopharmaceutical Production* - the need to produce new biopharmaceutical drugs is driving the market for companies that will handle the production and for the equipment used in the process. The Biopharmaceutical Production market demonstrated 11% revenue growth and reached \$US41 billion in 2014, according to Kalorama's estimates. With the investment in recent years in biotechnology companies, this type of growth is expected to continue.

(5) *Medical Device Companies Grow By Buying* - several large device mergers were concluded or announced in 2014, most notably Medtronic and Covidien. In addition to several acquisitions by Stryker, Zimmer announced this year the acquisition of Biomet Inc. and Becton Dickinson announced it would purchase CareFusion.

Kalorama stated that these trends cut across healthcare industries and will alter the way the market for healthcare products and services looks in 2015. While IVD makers wonder how

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In Brief . . .

- ♦ **AmerisourceBergen** will acquire **MWI Veterinary Supply** (MWI), a leading US animal health distribution company, through a new wholly-owned subsidiary in a tender offer valued at up to US\$2.5 billion. Separately AmerisourceBergen announced that *Ornella Barra*, Executive Vice President of **Walgreens Boots Alliance** and President and Chief Executive of Global Wholesale and International Retail, has been elected to its Board of Directors, effective immediately to fill the vacancy created by *Gregory D. Wasson's* resignation.

- ♦ **Roche** is to take a majority stake in molecular information and genomic analysis firm **Foundation Medicine** (FMI) in a move that could result in an investment of US\$1.18 billion. According to Roche Pharma, "By combining FMI's pioneering approach to genomics and molecular information with Roche's expertise in the field of oncology, we can bring personalized healthcare in oncology to the next level." The deal was driven by Roche's pharma division, because of its interest in expanding its genetic testing capabilities to identify patients for clinical trials and monitor their treatment response.

- ♦ US drugstore chain **CVS Health** recently reported that its **MinuteClinic** business now operates 960 clinics, and over the past two years has opened more than 340 clinics while entering 20 new US markets. The company's goal is to operate 1,500 clinics by 2017.

- ♦ **Biogen Idec** has agreed to pay US\$200 million, plus up to an additional US\$475 million in milestone payments, to acquire **Convergence Pharmaceuticals**, a UK developer of drugs for neuropathic pain which was spun out of GlaxoSmithKline in 2010.

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IFPW FOUNDATION

IFPW to Announce Industry Alliance with Gavi to Strengthen Developing Supply Chains

IFPW will announce a new 3-year multi-million dollar partnership with Gavi, the Vaccine Alliance on January 26th in Berlin, Germany during Gavi's G7 Replenishment Summit. This collaboration is the first of its kind for the global pharmaceutical wholesale industry as IFPW members, through IFPW Foundation, will make a commitment to strengthen supply chain management and managers in Gavi-eligible countries through scholarships, mentoring and knowledge sharing.

Read IFPW's full press release at:

[http://ifpw.com/pdf/Press releases/PR - IFPW 012115.pdf](http://ifpw.com/pdf/Press%20releases/PR%20-%20IFPW%2012115.pdf).

Follow IFPW and IFPW Foundation on Twitter at @IFPW and @IFPWfoundation for more details.

Top Five Trends (cont.) . . .

sequencing figures into their strategies, device companies may look for the next acquisition target to counter what competitors have done. Health care systems will be eyeing telemedicine solutions, and investors will seek new biopharma drug companies with potential, while those companies will try to obtain production sources.

Applying Lean IT to Healthcare

(Source: an article prepared by Michael Huskins, Steve Van Kuiken, and Sri Velamoor and published by McKinsey & Company)

The healthcare sector is going through fundamental technology-enabled changes in the way care is delivered, how providers interact with their patients, and how payments are made. To take advantage of digital technology and create more effective systems that help health professionals deliver better care, providers are moving rapidly toward becoming digital enterprises. For example, they are borrowing lessons from ecommerce leaders on how to acquire and retain patients through data analytics and from manufacturing entities on managing patient throughput and optimizing clinical supply chains.

Providers are also leveraging apps on smartphones to engage patients remotely in new ways that improve outcomes, and they are using digital technologies to support clinical decisions and streamline hospital operations. In this way, the adoption of more sophisticated analytics has simplified processes and significantly reduced manual workloads.

The pressure of enabling the digital enterprise is landing squarely on the shoulders of the IT department, and this presents tough challenges in a sector that has traditionally lagged behind others in the adoption of information technology. For example, according to Gartner, IT spending as a portion of revenue is 6.3% in banking and financial services and 4.2% in healthcare. Despite this history, IT departments are now being asked to deliver the core digital platforms that will enable far-reaching changes for healthcare providers. At the same time, in the spirit of doing more with less, these IT departments are being asked to improve service levels and increase IT efficiency.

IT departments will need to take a comprehensive view of how to meet the demands of all core IT functions rather than undertake discrete initiatives. IT leaders will have to address topics such as IT-infrastructure architecture and services, cybersecurity, advanced analytics and data management, and the rationalization of application portfolios. IT departments must carefully juggle a “two-speed IT infrastructure”—balancing the acceleration of new digital capabilities against the maintenance of legacy systems (see “A two-speed IT architecture for the digital enterprise” by McKinsey & Co.). All this will require a more efficient and effective IT workforce. That’s why the application of lean principles is one important element for healthcare providers across the globe pursuing digitization.

Japan’s Wholesalers Need to Modify Their Business Model

(Source: a Jiho interview with Ken Suzuki, JPWA President & IFPW Board member, and published by Pharma Japan)

Pharmaceutical wholesalers in Japan need to alter their business model at a time when off-patent branded medicines are being rapidly replaced by generics, was the theme of an interview with Ken Suzuki, president of the Federation of Japan Pharmaceutical Wholesalers Association (JPWA). “We must come up with ways

to address the ongoing changes,” he said in an interview with Jiho. “We will decide on our future directions this year,” he added.

In 2014, the country’s ethical drug market rapidly shifted from off-patent brand-name medicines called long-listed products to low-margin generics and patent-protected drugs that are granted by the government a pricing premium designed to effectively maintain their NHI prices. The remarkable generic growth was due to generic-use incentives introduced by the government under the medical fee revision in April 2014. This led sales of long-listed products to flounder in April-September, dragging down the earnings of drug makers and wholesalers dependent on such products. “Generic promotion has now become a trend and cannot be reversed,” said Mr. Suzuki. “We must run our sales activities and our companies by keeping this in mind.”

Mr. Suzuki pointed out that this change in the sales mix is a challenge faced by not only wholesalers but also drug makers that heavily rely on long-listed products. “I think drug makers understand that the market environment has changed,” Mr. Suzuki said, adding that the deterioration of wholesalers’ business performance in the April-September period was “not because we put premium-granted products on discounts.” He emphasized that wholesalers and drug makers must come together to develop ways to deal with the market transformation.

Meanwhile, Mr. Suzuki took a cautious stance on revising a fee cut rule implemented last April to curb lengthy drug price negotiations between wholesalers and healthcare providers. “One year is too early to draw a conclusion on something that was implemented for the first time,” he said. Even though the rule proved to have placed heavy burdens on wholesalers as they were forced to hastily conclude price deals, Mr. Suzuki gave some credit to it for pushing up the rate of price settlements and helping end retroactive discounts.

Also in the interview, Mr. Suzuki reiterated his case against the finance ministry’s bid to cut NHI drug prices annually instead of the current practice of every two years. Now that the sales tax hike plan has been delayed to April 2017, he stated that there is a real possibility that NHI prices will be revised for three years in a row from 2016. However, Mr. Suzuki stressed that the three consecutive years of price revisions and proposed annual revisions are “separate issues,” and said the government “should not do things that could disrupt market mechanisms.”

In Brief (cont.) . . .

- ♦ **Shire** is acquiring fellow rare disease specialist **NPS Pharmaceuticals** in a transaction valued at US\$5.2 billion.
- ♦ **InkaFarma**, Peru’s largest retail pharmacy chain, has an ambitious plan to nearly double the number of stores it operates, with an emphasis on opening up new locations in some of the country’s most remote areas. Three years ago, InkaFarma had 550 stores and set a goal to nearly double that total, to 1,000 stores, by 2015. With roughly 800 stores at the end of last year, the company appears to be on pace to accomplishing its goal.
- ♦ The world economy will grow 3.5% in 2015, down from the 3.8% pace projected in October, according to the **International Monetary Fund (IMF)**. The Washington-based lender also cut its estimate for growth next year to 3.7% (from the 4% forecasted in October.)

(Sources: AmerisourceBergen, Bloomberg, Drug Store News, PharmaTimes, Scrip & Supply Chain Brain)