



U.S. Pharmaceutical Wholesalers Preparing Their Pharmacy Franchises for Reimbursement Changes

(Sources: Two articles prepared by Michael Johnsen and published by Drug Store News)

As the health care industry moves toward adopting outcomes-based reimbursement, independent pharmacy owners are faced with a stark reality - they need to invest in the ability to deliver clinical outcomes long before that ability is adequately reimbursed by an evolving payment model, according to the author.

The question on how to successfully transition from the fee-for-service payment model in place today to the pay-for-outcomes model of the future is "one of the most complicated questions that the industry has been wrestling with for years," noted Dave Neu, EVP Retail Strategy at AmerisourceBergen and President of Good Neighbor Pharmacy. "It's interesting that before medication therapy management, we had reimbursement for cognitive services. We had in there a bit of clinical consulting, and it has always been about who's going to pay for it?" he said. "And the other piece - without a centralized patient record, what value is there?"

That's all starting to change now, slowly but surely, Neu said. "One of the things that's happened recently with the change in health care and the Star measures [The U.S. federal government's CMS does not assign Star Ratings to pharmacies, but Medicare Part D (prescription) plans are evaluating the performance of their pharmacy network providers on Star measures as established by CMS], is that there is now a difference in technology to capture this information," he said. "It's not perfect, but the payers and the PBMs [Pharmacy Benefit Managers] have gotten smart, and they have put incentives and disincentives in place," he said. If you don't show specific changes or outcomes, the reimbursement for that work may be cut or, even worse, eliminated altogether.

Eventually there will be a balance, a kind of payment for services and reimbursement for outcomes management that will change over time, Neu suggested. "But I think we are moving forward now in a way that's much different than the last 10 or 15 years," he said. "And there really wasn't a financial incentive or disincentive there [before], so that's really started to change."

The recent J.D. Power's 2015 U.S. Pharmacy Study found that a pharmacist's individual attention can have an impact on loyalty, as 44% of customers who talk to their pharmacists strongly agree that they feel loyal to a pharmacy, compared with 35% of people who don't talk to a pharmacist. The findings emphasize the importance of pharmacist's involvement beyond a fee-for-service mode.

Separately, with the industry's greater focus for pharmacies on clinical performance and patient outcomes, McKesson's Health Mart is hosting its third series of Town Hall events. The "Get in Sync: Medication Synchronization" Town Hall events encourage pharmacists to consider an appointment-based model with medication synchronization, shifting them from reactive prescription filling to proactive and patient-centric. Health Mart, with more than 4,200 locally owned community pharmacies across

In Brief . . .

- ◆ **Cardinal Health Foundation** awarded 29 grants totaling US\$924,551 to help nonprofit health care institutions across the US improve the effectiveness, efficiency and excellence of patient care. The *E3 Patient Safety Grant Program* supports three types of projects: 1. Projects that improve medication safety as patients transition from the hospital to home; 2. Projects that use technology, including the use of smartphones, apps, tablets, remote monitoring and telehealth through consumer devices, to increase access to care and engage patients; and 3. Projects that help spread previously successful work.

- ◆ **Merck KGaA** (Germany) has a new logo and has promoted its deputy CEO *Stefan Oschmann* to CEO, effective April 2016, succeeding *Karl Ludwig Kley*. Meanwhile, Merck is eliminating its **Merck Serono** and **Merck Millipore** brands, and will be known simply as Merck outside North America. Inside North America, where 'US Merck' owns the brand name, it will continue to use the EMD prefix for its businesses.

- ◆ Ethical drug sales in Japan increased 9% in August, compared to a year earlier, according to **Crecon Research and Consulting**. Sales of hepatitis C treatments and anticancer agents drove growth, representing a turnaround from the situation last year where a sales tax increase resulting in patients avoiding doctor visits.

- ◆ Finnish wholesaler and retailer **Oriola-KD** is helping the **Finnish Red Cross** and Helsinki region refugee reception centers by donating wound care products, including a large number of dressing pads, gauzes and tapes. Oriola delivers the products to the reception centers in the Helsinki region and to the Finnish Red Cross logistics center in Tampere, for further distribution.

- ◆ A survey involving 40 major hospitals in China has reportedly highlighted a shortage of 342 out of over 500 essential medicines and suggests that a shortage of affordable medicines could be attributable monopolies on raw materials, shrinking

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Japan Preparing for Increase in Generics

(Source: an article in *Asian Review*)

Japan's pharmacy chain giant Nihon Chouzai will expand its annual production capacity for generic drugs six-fold to 14 billion pills by fiscal 2020, responding to the Japanese government's campaign to boost their availability.

Group subsidiary Nihon Generic will spend ¥20 billion (US\$167 million) to build a plant in Tsukuba, a city northeast of Tokyo. The company acquired GlaxoSmithKline's research facility there in 2008, and later bought 33,000 sq. meters next to it for more space. The plant is to be completed in fiscal 2018, with operations to reach full strength in fiscal 2020. Its annual production capacity will be 10 billion pills, the company said.

Nihon Chouzai also will spend ¥2 billion (US\$16.7 million) installing new equipment in a Tsukuba facility it acquired from Pfizer in 2007. The plant's annual production capacity will jump

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Wholesalers (cont.) . . .

all 50 states, will host more than 100 complimentary Town Hall CE events across the country through early 2016.

"Med Sync is a critically important opportunity for independent pharmacists to improve patient care and clinical quality measures, as well as streamline pharmacy operations and improve their bottom line," said Steve Courtman, president, Health Mart. "However, med sync is not the end goal; it is the vehicle that will enable our pharmacies to make the transition from just filling prescriptions to taking a more proactive, patient-centric approach."

Medication Synchronization allows patients to pick up all of their ongoing prescription refills at the pharmacy on a single, convenient day each month and work closely with the pharmacist on adhering to their medication regimen.

Japan(cont.) . . .

40% to \$2.6 billion pills by the end of this fiscal year.

In addition, the second-ranked pharmacy operator will invest ¥1.5 billion (US\$12.5 million) to introduce equipment for making anticancer drugs at a plant in Kasukabe, a city north of Tokyo. The plant was bought from Teva Pharma Japan in 2014. In fiscal 2016, Nihon Chouzai will apply for rights to make a series of new drugs, mainly high potency anticancer remedies, with production slated to begin in fiscal 2017.

The government aims to have generics make up 60% of all drugs used by fiscal 2017, with the goal to surpass 80% in the ensuing three years.

Other drug companies like Towa Pharmaceutical and Nichilko Pharmaceutical are accelerating capital investments such as those to add equipment to existing plants or build new manufacturing facilities. The pharmacy industry expects a tougher environment after April 2016, when amendments to rules governing dispensing fees take effect. Nihon Chouzai hopes that by expanding the manufacturing of generic drugs it will ensure steady earnings.

Pfizer's Perspective of the Chinese Market

(Source: an article prepared by Jack Freifelder and published by China Daily)

Ian C. Read, chairman and CEO of Pfizer Inc., said business in China has been an important part of his company's past and present, but the world's second-largest economy "will be an even greater part" of the future of the global biopharmaceutical industry.

"During the past year I had the opportunity to meet with many Chinese policymakers and business leaders," Read said. "Our discussions focused on how the goals of the US pharmaceutical industry align with China's efforts to become an innovative force in pharmaceuticals and to build a 21st-century healthcare system. It became clear to me that two key issues are central to China achieving its goals, the need for healthcare and regulatory reform. The Chinese government recognizes that. Through better access and lower costs, more patients are starting to seek care. And while China has made meaningful progress, major challenges remain. . . . China is also an incredibly important market for the global economy that represents exciting growth opportunities."

Pfizer began operations in China in the late 1980s, beginning with a manufacturing joint venture in Dalian, Liaoning province. Read stated, "At that time China was a very different place, but we saw the enormous potential of the country and its people. . . . We committed to supporting the Chinese people and over the past 30 years have substantially grown our local presence, which now

includes four state-of-the-art manufacturing facilities and two world-class research and development centers in Shanghai and Wuhan."

Read, who has served as Pfizer's chief executive since 2010, began his career with the firm in 1978. Today, Pfizer is the largest multinational bio-pharmaceutical company in China. The company has more than US\$1 billion invested in its China operations, a network that accounts for more than 10,000 employees in nearly 300 Chinese cities.

Pfizer's China operations have earned the company a "best employer in China" designation for four consecutive years, according to an annual poll by Aon Hewitt, a subsidiary of London-based Aon plc. In 2013, Pfizer earned the China Good Enterprise Fulfilling Corporate Social Responsibility Award in recognition of the company's corporate citizenship record.

Ian Read has held a number of executive positions within the company, including senior vice-president and group president of Pfizer's worldwide biopharmaceutical businesses group where he oversaw five global business units — primary care, specialty care, oncology, established products and emerging markets.

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production, high demand and surging prices, which all have led to inaccessibility of these drugs. The issue comes amidst China's efforts to reform its medical system, including encouraging hospitals to gain revenues from quality services rather than expensive drugs and procedures.

- ◆ The contract manufacturing segment in India is expected to grow at a compound annual growth rate of around 17%-18% till 2018.

- ◆ A dozen members of the *Trans-Pacific Partnership* (TPP) trade talks effectively settled upon a data protection period of 8 years for biologics. The biologic data protection period was a big sticking point in the TPP negotiations, and continued until the last minute between the US, which pushed for 12 years of data exclusivity, versus Australia and New Zealand, which demanded no more than five years. Under the final compromise, the trade pact will reportedly offer member countries an alternative of either providing 8 years of data exclusivity, or five years of exclusivity plus up to three more years of protection under a TPP regulatory framework.

- ◆ Kenya will be the first country recipient of the **Novartis Access** program, under which the Swiss drug company is providing a batch of essential medicines at a cost of US\$1 per treatment per month. The 15 covered therapies all target chronic diseases such as diabetes, respiratory illnesses, and breast cancer, with the idea being to increase access to potentially life-saving medicines and thereby help reign in their growing spread in areas with limited access to healthcare.

- ◆ With patents for a series of global blockbuster drugs expiring this year in South Korea, local pharma firms are fiercely competing to grab bigger pieces of the domestic generic market. The Korean pharma association has warned its members against illegal rebates amidst the intensifying generic competition.

- ◆ IFPW is pleased to announce that **Imperial Health Services** (IHS) is now a member of IFPW. IHS is a distributor of branded and generic products and operates primarily within South Africa.

(Sources: Cardinal Health, Financial Times, IFPMA, Oriola, Pharma Japan, Pharma Times, PRNewswire, Scrip and The Pharma Letter)