

## JPWA Takes a Position on a Proposed Government Survey

(Source: Pharma Japan (Jiho, Inc.) article)

Ken Suzuki, president of the Federation of Japan Pharmaceutical Wholesalers Association (JPWA) and a member of IFPW's Board of Directors, expressed opposition to a market price survey (which is conducted by wholesalers at the request of the government) in preparation for the upcoming consumption tax hike in April. "We're basically opposed to it. If a survey has to be carried out, it should be a simplified one," he said in an interview with Jiho conducted ahead of the new fiscal year.

Mr. Suzuki explained that the JPWA opposes a market price survey because the survey would be conducted in September, while price settlement rates will also be determined in September under the medical fee reduction rule for low price settlement rates (the rate in which wholesalers and customers have agreed to a final price of delivered products & services), and because actual market prices would not be accurately determined just six months after the NHI price revision scheduled for April this year.

If the Central Social Insurance Medical Council (Chuikyo) ends up calling for a market price survey, Mr. Suzuki said it should be a sampling survey rather than one that applies to all products or a survey restricted to products with large price fluctuations such as generic drugs.

Mr. Suzuki reiterated his opposition to annual NHI price revisions (currently biannual), which the Ministry of Finance is demanding. "NHI prices are part of healthcare and are inseparably connected to medical fees. A revision that applies only to drugs seems odd," he said. Mr. Suzuki praised the improvement in the price settlement rates, saying the medical fee cut rule for low price settlement rates "has motivated medical institutions to reach price settlements with wholesalers two years after its introduction." The price settlement rate stood at 97.1% last September, up from 73.5% two years earlier. However, the ratio of single-product, single-price transactions in FY2014, the year the rule was introduced, declined by 3.9 points compared to the previous year. Mr. Suzuki attributed this to medical institutions waiting until August to see what other medical institutions would do, and then rushing to resort to single-product, bundled transactions instead of single-product, single-price transactions as the deadline in September approached. Since many chain pharmacies in particular settled their prices for two years following FY2014's NHI price revision, single-product, bundled transactions continued to prevail in FY2015. Mr. Suzuki said that wholesalers would continue their efforts to promote single-product, single-price transactions and early price settlements with their customers. "In FY2016, we'll do our best to reach price settlements as soon as possible so that we will not have to rush at the end of September," he said. Some chain pharmacies have objected to the medical fee reduction rule for low price settlement rates. However, Mr. Suzuki called for its continuation, saying, "The rule has changed the way business is done. It's had a positive impact."

In the meantime, JPWA will play a "proactive role" to

### In Brief . . .

- ◆ **McKesson** will source pharmaceuticals for and service the **Target** pharmacies acquired by **CVS Health**. The company made the announcement after narrowing its outlook for adjusted earnings per diluted share for the fiscal year ending March 31, 2016 to a new range of US\$12.60 to US\$12.90 (previously US\$12.50-US\$13.00.) The updated outlook for fiscal 2016 reflects McKesson's expectation that operating profit derived as a result of generic pharmaceutical pricing trends will be weaker in the second half of the fiscal year compared to previous expectations.

- ◆ After months of speculation, **Shire** and **Baxalta** formally announced a US\$32 billion merger deal which will create the world's biggest rare-disease drugmaker.

- ◆ **Pfizer** has expanded its Research & Development (R&D) investment strategy to include early-stage companies on the leading edge of scientific innovation and will provide them with both equity and access to resources for research in promising areas aligned with Pfizer's core interests. The first 4 investments of the newly focused initiative include US\$46 million in financing to companies in early stages of the discovery process that are actively exploring Conditionally Active Biologics (CABs), immuno-oncology, neurodegenerative technologies and gene therapy.

- ◆ More than US\$300 billion in M&A deals were announced in 2015, but even discounting the US\$160 billion merger between Pfizer and Allergan announced later in the year, 2015 had more than US\$200 billion in deal-making across the sector. A recent report from consulting firm EY expects the US\$200bn level to be the new normal for deals in pharma in coming years.

- ◆ Following discovery of prior embezzlement involving a board member at its animal drug subsidiary **Hokuyaku**, Japanese drug wholesaler **Iwaki** announced that its president and some other executives will voluntarily return part of their directors' remunerations as a self-imposed penalty. It was

(continued on page 2)

implement measures in the new proposal and comprehensive strategy. The comprehensive strategy for strengthening the pharmaceutical industry announced by the Ministry of Health, Labor and Welfare (MHLW) in September 2015 and the "new proposal" announced by the MHLW's council for the improvement of ethical drug distribution (Ryukaikon) in the same month both included measures that had been requested by drug wholesalers. Mr. Suzuki called this a reaffirmation by the government of the public role wholesalers play, saying, "It rightfully acknowledges the importance of wholesalers, which continued to distribute drugs without interruption following the Great East Japan Earthquake." The JPWA will establish a task force under Mr. Suzuki to discuss how best to respond to the measures included in the comprehensive strategy and the new proposal. The task force is soon expected to begin discussions. Mr. Suzuki said that the JPWA will play a proactive role to help ensure the implementation of these measures.

## Telemedicine Expansion in the U.S.

(Source: an article prepared by Michael Johnsen and published by Drug Store News)

U.S. telemedicine provider Doctor On Demand announced that it has signed its 400th employer customer, bringing the total number of Americans covered by the service by their employers or health plans to more than 45 million. “Doctor On Demand allows us to provide our employees with access to top-quality physicians, nearly instantly, no matter where they are. For us, that means fewer visits to the emergency room, quicker treatment of routine illnesses and reduced absenteeism - all cost-drivers,” stated David Olsen, director benefits, Lennox International. Doctor On Demand offers video visits with physicians and psychologists, delivered through patients’ smartphones or computers in an easy-to-use application. Employers can integrate the telemedicine service with any health plan they currently use, and there are no up-front costs, PEPM (Per Employee, Per Month) fees or subscription fees.

“Visiting the doctor no longer requires going to an office and sitting in a waiting room,” said Adam Jackson, CEO of Doctor On Demand. “Insurers and employers are turning to telemedicine to help reduce health care costs while delivering the highest quality care, and Doctor On Demand is thrilled to be leading the revolution in how health care is delivered.” Telemedicine is growing rapidly, and with about half of all Americans relying on their employer for health care coverage, employers are taking notice. According to a survey by global HR firm Towers Watson, 71% of employers plan to give their employees access to telemedicine in the next three years, which would represent a more than tripling from the 22% of employers who offer telemedicine today. According to the health care consultancy IHS, the telemedicine market is expected to grow to US\$4.5 billion by 2018.

## Cardinal Supports US Pharmacists with Town Hall

(Source: Cardinal Health and Drug Store News)

US wholesaler and healthcare service provider, Cardinal Health launched its annual “Reach for the Stars” town hall (<http://www.cardinalhealth.com/followthestars2016>) to help US pharmacists better understand how to ensure accurate reimbursement payments in narrow networks, how to streamline pharmacy efficiencies and how to improve patient relationships and health outcomes. Attendees also learned how their healthcare operations can contribute to CMS Star Ratings. “Pharmacy performance against CMS Star Ratings measures may influence access to pharmacy preferred networks, pay-for-performance programs run by health plans and an ability to drive patient engagement and adherence,” according to Cardinal, adding, “It’s more important than ever for community pharmacies to understand how to ‘Reach for the Stars’ and improve their pharmacy performance contributing to CMS Star Ratings.”

Open to all community pharmacies, the Reach for the Stars town hall tour will make 31 stops this year around the US to address this complex topic through identification of specific actions pharmacists can take to improve their business, and most importantly, patient outcomes. To keep the community pharmacy at the forefront of care and CMS Star Ratings, the focus of the town halls is:

- *CMS Star Rating education:* Healthcare continues to shift from a fee-for-service model to a value-driven model. To ensure

pharmacies understand this ever-changing landscape, the town halls offer a continuing education credit revolving around what star ratings are now, what they will be in the future and how this impacts community pharmacy;

- *The journey to value-driven pharmacy:* A phased approach to incorporating a value-based revenue stream in a community pharmacy setting through the implementation of patient care services;

- *The impact of pharmacy performance on preferred Medicare networks:* Pharmacy Benefit Managers are implementing various strategies with their preferred networks to improve their CMS Star Ratings. Pharmacists need to understand how their performance impacts these preferred networks; and

- *Provide personalized patient care solutions:* Each patient faces different adherence challenges, so to be successful, pharmacies must provide a variety of solutions. The town halls provide actionable ways for a pharmacy to identify and measure pharmacy performance through various tools. “The future of independent pharmacy will revolve around change,” said John Balch, pharmacist and owner at The PharmaCare Network. “The successful independent will embrace MTM, immunizations, adherence and compliance and will become the shining star of their community.”

## In Brief (cont.) . . .

discovered in November that a former board member of Hokuyaku was found to have embezzled a total of ¥126 million (US\$1.07 million) over 10 years.

- ◆ **Roche** is collaborating with Massachusetts-based **C4 Therapeutics** to develop treatments in the field of targeted protein degradation under a deal which could be potentially worth more than US\$750 million.

- ◆ **Merck** (US), known as MSD outside the US and Canada, has acquired **IOmet** (UK), a privately-held drug discovery company focused on the development of innovative medicines for the treatment of cancer, with a particular emphasis on the fields of cancer immunotherapy and cancer metabolism. Financial terms were not disclosed.

- ◆ **Johnson & Johnson** will cut about 3,000 jobs in its medical-devices division, the company’s latest step to revive the business. The eliminated positions represent 2.5% of the health-care company’s 127,000 employees world-wide and as much as 6% of its medical-device segment. J&J expects the move will save between US\$800 million and US\$1 billion per year before taxes, which will be used, in part, to invest in new-product development.

- ◆ **Pfizer** will acquire wholly-owned subsidiary **Treerly Health** and its family of Treerly products from privately-held **Sirio Pharma** (China) for an undisclosed sum. *Treerly* is one of the top healthcare brands in China’s retail channel and consists of an extensive portfolio of products uniquely designed to meet women’s nutritional and healthcare needs throughout their lives.

- ◆ **Walmart** will close 269 stores worldwide, including 154 stores in the US, this year in an unprecedented move its CEO characterized as being more disciplined about growth. Details on how many of the stores to be closed contained a pharmacy were not provided.

(Sources: Business Wire, Drug Store News, Fierce Pharma, Pharma Japan, Pharma Times, Scrip, Wall Street Journal, World Pharma News)