

Driving Outcomes

(Source: Edited excerpts from a report on Drug Store News' Industry Issues Summit)

There were a few issues on “driving favorable treatment outcomes” discussed in the DSN Summit’s panel format; however, this article is only addressing one — the important role of pharmacy in achieving patient adherence to medication therapy. Before summarizing the elements associated with adherence, let’s keep in mind the shift that is occurring in the healthcare reimbursement model, a model that is evolving from treatments to outcomes. Therefore, patient adherence will certainly have a financial impact within the entire spectrum of healthcare delivery.

The panel’s special guest moderator was Chris Dimos, SVP corporate strategy and business development at McKesson. The panel consisted of Tim Weippert of Thrifty White Pharmacies, Craig Norman of HEB, Brandon Worth of Walmart, Khan Siddiqui of Higi, Jeff Key of Pioneer Rx, Philecia Avery of Kroger, Rick Gates of Walgreens, Josh Flum of CVS Health, Frank Maione of PerceptiMed and Jocelyn Konrad of Rite Aid.

There was general consensus among the panelists that “Patient Adherence” to medication therapy was a complex issue and one in which there is no uniformity among patients. The following are a few takeaway points discussed by the panel with respect to the critical role pharmacy plays in patient adherence: (1) acknowledge that before focusing on specific clinical interventions, management really has to coach and train the pharmacy teams in how to help patients change their behavior. Moreover, it means spending time working on enhancing the impact and influence of the teams, versus just launching new interventions and programs, and giving the teams the tools and framework to be able to create behavior change more effectively with their patients; (2) What has been learned is that it’s really a series of interventions across the continuum of care that are more effective than necessarily that one time sit down to say, ‘Let me take you through all of your issues and create a care plan for you.’ It is important for patient care in having the right conversation with the patient on a first prescription fill, following that up a few weeks later by giving the patient a call and talking about how they’re doing, creating automated refill reminders or giving patients a call at certain trigger points when they become non-adherent. Following up all along that continuum of care with short, targeted interventions really does — over time — change behavior and lead to significant improvement in outcomes.

If patients don’t know why they are taking the medication or why it’s important for them, it is difficult for a pharmacy to change the behaviors of patients. The only way that this can be achieved is to meet the patient where they are and step by step help change those behaviors with them hand in hand. It’s not a once-and-done thing; it’s a constant, ever evolving change for them.

It’s much easier to influence an existing habit or tie the behavior change you want to incentivize around an existing trigger. So, for

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In Brief . . .

- ◆ U.S. wholesaler and distributor **McKesson Corporation** report revenues for the 4th quarter ended March 31st of US\$46.7 billion, an increase of 4%. Current revenues for the fiscal year are up 7% to US\$190.0 billion. Separately, in an effort to consolidate the pharmaceutical supply chain, McKesson entered into an agreement with **Walmart** to jointly source generic drugs in their U.S. operations. This move will allow the companies to purchase generics at cheaper and more cost-effective prices.

- ◆ **Smith Drug Co.** (a division of **H.D. Smith**) has announced its partnership with **Diplomat Pharmacy** in an effort to provide its customers with specialty pharmacy services through Diplomat’s Retail Specialty Network.

- ◆ Japanese wholesaler **Medipal Holdings** will establish a wholly-owned subsidiary, **SPLine**, to distribute specialty drugs for rare diseases and intractable diseases. The new company will propose ideal logistics plans as well as serve as a liaison for specialty product distribution, and will be implemented by Medipal’s distribution companies.

- ◆ **Cardinal Health’s** board of directors has approved a 16% increase for the company’s quarterly dividend to US\$1.80 per share on an annualized basis. It also approved a stock repurchase plan of up to US\$1 billion of common shares in addition to the August 2014 plan.

- ◆ **AmerisourceBergen** and **Walgreens Boots Alliance** have extended their strategic long-term relationship for an additional three years to 2026. As part of the agreement, Walgreens will further commit to the utilization of ABC as its key U.S. distribution partner, and ABC will make certain working capital investments in its distribution network.

- ◆ Australian wholesaler **Sigma Pharmaceuticals** has begun construction of a new US\$46.9 million distribution center in Berrinba, South East Queensland. Operation of the new facility is scheduled to begin at the end of 2017 and will bring advanced warehousing and distribution services to Queensland focused on leading industry standards and environmental sustainability.

- ◆ U.S. drugmaker **Pfizer** saw a 27% jump in first quarter net income because of higher sales and lower taxes. This following its decision to drop its bid for Allergan Plc at the beginning of April. The company raised financial forecasts due to an improved business outlook. Also, Pfizer announced that it would be acquiring **Anacor Pharmaceuticals** in a deal valued at US\$5.2 billion. The transaction has already received approval from both companies’ board of directors.

- ◆ Israeli-based **Teva Pharmaceuticals** announced better-than-expected first quarter profits of US\$636.7 million while revenue slipped 3% to US\$4.81 billion, excluding foreign exchange fluctuations. The company also announced that it expects its US\$40.5 billion acquisition of **Allergan’s** generic drug business to close in June.

(Sources: Bloomberg, Drug Store News, PharmaJapan and Reuters)

Driving Outcomes (cont.) . . .

example, there are natural triggers; you wake up, you eat breakfast, you commute, you have lunch, you commute again, you go back home, you have dinner, you go to sleep. These are natural triggers that happen at home, and then if you can tie what you're trying to change with those natural triggers, it is a significant way to add a new behavior.

Pharmacies have natural behavior in their retail environment. "I'm coming in the store, so what do you want them to do when they arrive in the store that can be tied to that? Once you have identified a trigger, then it's very important that the incentive that you're giving them from an external point of view — whether it is some kind of reward or a coupon — also ties to the internal motivators."

"It's very important to understand what the internal motivation is for them to do adherence or anything else. So for example, if I just look at physical activity, why do people want to be healthy and live healthy lifestyles? ... It's, 'I want to look good. I want to feel good. I want to do it because it's a social activity for me.' ... But why do you want to take a medication? It's because my doctor — somebody who's an authority — told me to; I've seen other patients with the same disease take the medication; I've internalized that it is beneficial for me; and I want to see my grandkids in the future... so if you don't align the communication, messaging and incentives that you're putting around why internally people want to take medication, you won't see long-term compliance... the last thing ... is that it has to be effortless. If you have high effort needed to do adherence, it will slowly taper off and people won't comply with it. ... When we talk about medication synchronization, I talk about behavior synchronization; can you synchronize the medication timing with what they're already doing in their life on a daily basis? You'll see much higher compliance with behavior change."

China's Biopharmaceutical Market

(Source: an article by Zhu Wenqian and published by China Daily)

General Electric Healthcare Co, a leader in the high-end medical devices market, said it is bullish on the long-term growth of the biopharmaceutical market in China. The market for biological medicine and devices is expected to grow significantly. Last year, China reported about 4.3 million new cancer cases, and that number accounts for 20% of global new cancer cases. The rising cancer rates have posed a major health problem for the country, according to a report by the American Cancer Society.

GE Healthcare said it plans to shift the production of some of its biological products to China from the United States and Europe. The multinational healthcare provider also plans to put more top R&D effort into China. The company recently unveiled its first modular biopharmaceutical factory, which consists of 62 modules, in a biotech zone in Wuhan, Hubei province. China became the first country to receive GE's cutting-edge factory, which was prefabricated in Germany, where it took 18 months to complete construction.

"Local manufacturing in China is a more affordable way to provide modern therapies for deadly diseases like cancer, a leading cause of death in China," said Jan Makela, general manager of BioProcessing Life Sciences at GE Healthcare. "Biological medical products are considered as a critical way to fight against major diseases such as cancer and diabetes," he added. "Putting

the factory into operation will accelerate the development of biopharmaceutical industry in China, and assist pharmaceutical manufacturers in speeding up manufacturing and launching of biological medicines."

JHL Biotech, a biological products manufacturer in Taiwan that is backed by Silicon Valley venture capitalists, bought the factory. The company will manufacture biological medicines and monoclonal antibodies for late-stage clinical trials and commercial supply. JHL hopes to work with GE to build JHL into a world-class biopharmaceutical factory, accelerate capacity improvement in Asia and meet potential market demand. In addition, JHL will be able to manufacture the largest number of cells in Asia after the facility is put into operation, according to Racho Jordanov, CEO and co-founder of JHL Biotech.

The global biological medicine market is currently estimated to be worth US\$200 billion, accounting for 20% of the overall medicine market; the biological medicine sector sees a growth rate of around 10% to 12% annually.

China is still in the early stages of developing biopharmaceutical manufacturing. In China, where biological medicine currently represents only 4% of the domestic medicine market, the growth rate is seen as being exponential in coming years. By 2019, the biological medicine market in China is expected to reach US\$350 million, surging from US\$44 million in 2009, according to a study of the Global Biosimilars Market that was published in 2014. Last year, China announced the national initiative "Made in China 2025", which is designed to transform each of its manufacturing industries from a national manufacturing giant of quantity into a world power of manufacturing quality.

Impact of Specialty Drugs on Japanese Wholesalers

(Source: Pharma Japan)

Special demand for novel hepatitis C treatments pushed up earnings of major Japanese drug distributor Suzuken in the year ended March, with its sales in the pharmaceutical wholesaling business exceeding Medipal Holdings' by 5 billion yen (US\$45.5 million) to rank second, according to the publisher Jiho.

The tally covered four major Japanese drug distributors Alfresa Holdings, Suzuken, Medipal, and Toho Holdings. Suzuken, which once reigned as the industry's leader, has settled in third place in the drug wholesaler ranking since it last ranked second in 2005. Coming back as the second largest player in FY2015, the company closed in on the top runner, Alfresa, which earned 162.3 billion yen (US\$1.45 billion) higher sales in its wholesaling business.

Suzuken's sales were chiefly driven by Gilead Sciences' hepatitis C drugs *Sovaldi* (sofosbuvir) and *Harvoni* (ledipasvir + sofosbuvir). Gilead directly uses only two distributors, Suzuken and Toho, for their distribution in Japan. While drug wholesaling sales of Alfresa and Medipal increased around 4%, Suzuken and Toho enjoyed growths of some 13%. Suzuken raked in 153 billion yen (US\$1.39 billion) with the Gilead drugs alone.

Suzuken believes that it was picked as the drugs' distributor because of its strong "maker logistics" services, where it transports products between the warehouses of drug makers and wholesalers, and the solid track record of its subsidiary specializing in specialty drugs.

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Impact of Specialty (cont.) . . .

According to the article, this hepatitis C bonanza seems to be short lived perhaps lasting for a year at best with the companies' earnings showing that sales of the Gilead products already hit the peak in December last year and has been decreasing since. In FY2016, Suzuken expects to bring in sales of 50 billion yen (US\$1.39 billion) from these products, less than one third of FY2015, signaling the possibility that the company might fall in the distributor ranking in the current year.

The four wholesalers' consolidated sales forecasts for FY2016 well illustrate this trend. Suzuken is braced for a decline of 5.5% due to the dwindling hepatitis C market, as is Toho for a 1.8% dip. In contrast, Alfresa and Medipal, which saw no special gains from the Gilead drugs, are looking at 1.8% and 2.5% rises, respectively.

In their half year earnings conference last year, top executives of Alfresa and Medipal had expressed their eagerness to shore up their businesses on specialty drugs for unmet medical needs, including orphan and intractable disease treatments. In late March, Alfresa announced a capital arrangement that allowed two local distributors, in Kumamoto and Hokkaido prefectures, to own a 20% stake each in its group company dealing in specialty medicines a move aimed at strengthening its specialty drug distribution network in these regions. Medipal said on May 16 that it will establish a subsidiary dedicated to specialty drugs, anticipating a growing market for these drugs. As drug makers' development pipelines are shifting from therapies for lifestyle diseases to specialty medicines, it remains to be seen how this will impact Japan's major wholesalers.

McKesson and H.D. Smith Recognized for Information Technology

(Sources: InformationWeek and Drug Store News)

Two US wholesalers - H.D. Smith and McKesson - were named to this year's InformationWeek Elite 100 - a list of the top business technology innovators in the U.S. "As business success becomes even more dependent on the ability to innovate in information technology, being represented on the InformationWeek Elite 100 list is one of the biggest honors a company can achieve," said Susan Nunziata, editorial director of InformationWeek. "It's a validation of efforts by the business to make IT a game changer."

InformationWeek recognized McKesson for its "Business Warehouse and SAP Modernization Project," which updated McKesson's technology platform, addressed current demands and positioned the business for growth, specifically so that McKesson's Pharmaceutical business unit could further scale its operations to support its growth. "McKesson's strong enterprise technology team continues to raise the bar, and the Business Warehouse and SAP Modernization Project is just one example of the team developing new and more effective methods of data collection and analysis that were not previously possible," stated Kathy McElligott, EVP, chief information officer and chief technology officer, McKesson.

H. D. Smith recently created an in-house mobile application for its sales representatives to use to help manage accounts out in the field. One of the features of the app includes notifications that alerts a rep when a pharmacy is nearing a purchasing opportunity.

By encouraging the pharmacy to take advantage of the purchasing opportunity, H. D. Smith and the pharmacy mutually benefit. "As a management team, we decided to focus energy on how to serve the customer, how to bring solutions to market faster and how to leverage this challenging market," stated David Guzman, chief information officer at H. D. Smith. "Our intent throughout the last year has been to improve profitability of our partner pharmacies, while creating value for them." "We work in a very competitive environment, and our sales team is always looking for ways to become a more trusted advisor to our customers," said Rob Meriweather, corporate VP sales, H.D. Smith. "Through the app, we can share real-time data, trends and purchasing opportunities, all while building stronger relationships."

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