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A View on a Patient-Centric Supply Chain Transition

(Source: Edited excerpts from an article prepared by Mike Duffy, President, Hospital Solutions and Global Supply Chain, Cardinal Health)

As consumer-driven healthcare plans push patients to be more accountable for their cost of care, patients will understandably have greater expectations of the "care experience." They'll also be increasingly involved in understanding the cost of treatments, quality of care and available alternatives. To deliver on these rising expectations, hospitals need to challenge old paradigms and improve the patient experience, while reducing cost and improving quality. In achieving this transition, unfortunately the supply chain is often overlooked.

In a fee-for-service reimbursement model, the supply chain's function is to ensure product availability. With the rise in consumerism and the evolution towards fee-for-value reimbursement models, the supply chain not only needs to ensure "right product, right place, right time," but also needs to work holistically to reduce the total cost of care delivery. It's no longer about the price of the product alone. Reducing administrative costs of delivering the product to the point of use is critical as well.

Making this transition requires a more complete understanding of how products move along the value chain, from point-of-use all the way back to point-of-manufacturing. This shift will require partners to align goals and incentives. It will require new collaborative models and new workflows. If the healthcare industry wants to reduce the total cost of product use, it will require establishing new levels of collaboration and thus trust among partners across the entire supply chain.

The enhanced collaboration model will require improving the transparency of how products move through the extended supply chain. Greater visibility reduces the opaqueness that exists today — opaqueness that leads to misgivings between partners and the inefficiencies that follow.

Retail provides a useful illustration of the benefits of transparency. The retail industry differentiated itself by its early adoption of technology that streamlines supply chain processes and enables data capture (for example: barcoding and the scanner at the checkout counter). This critical supply chain transformation began when large industry players decided to focus on the "first moment of truth" — the moment a consumer first encounters a product — and moved toward a consumer-driven supply network.

During this transformation, the retail industry focused on ensuring that product was available at the shelf when the shopper wanted to buy it. This required delivering product in the most efficient manner, damage-free and with sufficient product dating (for products that had expiration dates). Today, the consumer-driven supply network depends on understanding the complete movement of product; from point of manufacturing to the store shelf. Success hinges on identifying opportunities to streamline the supply chain and make it more responsive to changing consumer tastes or needs. In this new environment, information flows are just as important as how product flows.

Global retail adoption of the barcode and data standards, such as GS1, provided a platform to give all partners real time data visibility into product movement. This foundation led to improvements in trust and, subsequently, performance. Because of readily available data from standard data sources (like GS1), stores that were once regularly out of stock on highly favored items were

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In Brief . . .

- **Cardinal Health** has unveiled a web-based medication synchronization tool, *MedSync*. The tool is designed to improve pharmacy operations as well as boost adherence. It will also increase prescription volume by delivering more medication therapy management opportunities. MedSync is one of Cardinal Health's new offerings through its *Reach for the Stars Program*.
- **The Galenica Group** (Switzerland) will acquire physicians wholesaler **Pharmapool** through its wholesale subsidiary **Galexis**. Pharmapool will continue to offer services under the Pharmapool name and will be part of Galenica's Services Business Sector.
- **Mylan** (US) plans to acquire **Renaissance Acquisition Holdings'** specialty and generics business in a cash deal of US$950 million and contingency payments valued at up to US$50 million. Renaissance's specialty and generics business generated US$250 million in revenue for 2015.
- **IMS Health** has acquired Toronto-based **Privacy Analytics**. "This acquisition strengthens our role as a leading patient privacy and data protection advocate while increasing the value clients across healthcare can realize from real world evidence," stated IMS Health VP and General Manager RWE solutions, *John Resnick*.
- **Sandoz Canada**, a subsidiary of **Sandoz** (Germany) will acquire Montreal-based **Euro-Pharm International Canada's** product line, which features both prescription and non-prescription products, including *Euro-Fer*, *Carbocal D 400* and *PediaVit D*. Sandoz will begin to promote the product line June 1, 2016.
- The **Associazione Guido e Maria Carli**, an Italian association that honors distinguished personalities from the world of economics, high finance and social commitment has awarded Walgreens Boots Alliance's Executive Vice President and Chief Executive of Global Wholesale and International Retail, *Ornella Barra*, with the Guido Carli Award. This prestigious honor is given to individuals who, through excellence, will stand out in the pages of Italin history. The award, named for Italian economist and politician,Guido Carli, was presented during a ceremony held at the Queen's Hall of the Palazzo Montecitorio in May. *(Ms. Barra is the current Chairperson of IFPW.)*

(Sources: Drug Store News, Company Press Releases)

Patient-Centric (cont.) . . .

able to reduce out of stocks, or eliminate the problem altogether. At the same time, retailers could quickly replace products that weren't moving with those that were, dramatically reducing end-of-season markdowns and obsolescence write-offs.

In retail, if a store doesn't have product on hand or has set the price too high, the consumer can simply go to a competing store. While the first retailer will experience loss of sale and poor customer experience, the consumer will still get their product, albeit with some inconvenience. In healthcare, however, patients do not have that luxury and mobility. Products need to be available 100% of the time once a patient is admitted to the hospital. A poor patient experience will adversely impact patient satisfaction scores and may influence where the patient goes the next time care is needed, especially if the patient finds cheaper but equally effective alternatives.

To respond to evolving needs and delivery models, the healthcare industry needs to go through the same sort of supply chain transformation that revolutionized retail and other industries. It needs to focus on the first moment of truth and move toward a patient-driven supply network. It need to extend its thinking beyond its own four walls (be it provider, manufacturer or distributor setting) and think holistically. It needs to collaborate with all partners and focus on its shared patient, just as retail and consumer goods manufacturers focus on their shared customer. It needs to embrace data standards and leverage emerging technologies that can do for healthcare what the barcode has done for retail.

The patient has already become a growing presence in how care is delivered, and the healthcare industry needs to be ready, and able, to accept this shift.

Growth among Japanese Generic Manufacturers Using Wholesalers

(Source: Pharma Japan)

Japanese generic manufacturers saw double digit growth in their revenues in the year ended on 31 March 2016 as government incentives for generic use continued to underpin their earnings, a Jiho tally showed.

In FY2015, three Japanese generic majors specializing in generic businesses posted a combined revenue increase of 14.9% year on year, while 13 nonspecialized manufacturers (12 research driven manufacturers and one pharmacy chain operator that also runs a generic operations) logged an 11.7% rise in their generic business, according to the tally.

The government created a premium to push generic name prescribing in 2012, a new generic use incentive for DPC hospitals - The Japanese system for acute inpatient care was implemented in April 2003. Known as the Diagnostic Procedure Combination (DPC) payment system, it was designed by health service researchers and used to test the classification system and to set the payment rate - in 2014, and a new evaluation method for GPs that prompts generic use in 2016. Excluding Kyorin Holdings, which suffered falling sales due to a one-time shrinkage in the generic contractor business, all generic manufacturers saw higher top lines. Nevertheless, the growth rate of each company varies depending on their sales strategies. Among the three majors, NichiIko Pharmaceutical, which offers authorized generic versions of Sanofi's drugs, including *Plavix (clopidogrel)* Japan's top selling drug in FY2014, accounted for 41.1% of their total sales.

NichiIko explains that its growth was driven by its increased use of wholesalers as sales outlets, and the fact that its generics were well accepted by DPC hospitals, where it has built trust through sales of long listed products, or off-patent brand name drugs. In FY2015, the generic manufacturer's DPC hospital sales climbed 20.1%. In the past, where research driven manufacturers had close ties with certain wholesalers, generic manufacturers could not use these wholesalers to handle their products, thus turning to small regional distributors called hansha. Now that these barriers have been eliminated, NichiIko boosted the use of wholesalers, which have a wide range of sales channels, with wholesalers representing 80.9% of the company's distribution routes in FY2015.

Sawai is also pushing a similar initiative, with wholesalers constituting 56.1% of its total sales routes. Towa, which has steadfastly pursued a standalone distributing policy, also seems to have change its course, with President Itsuro Yoshida expressing the company's intention to consider the use of wholesalers. "We cannot but admit that no dealings with wholesalers makes a difference between Towa and our competitors," the president said at an earnings conference on May 13.

Research oriented manufacturers are pushing strategies of their own. Tanabe Seiyaku Hanbai, which ranked third among nonspecialized generic manufacturers in FY2011, moved down the ranking to ninth place in FY2015. In its fiveyear business plan announced in November, Mitsubishi Tanabe Pharma, the company's parent, did not incorporate the group's generic sales target, which was included in its previous business plan. Generics are "not our core business at the moment," Mitsubishi Tanabe President, Masayuki Mitsuka, said at that time, expressing the company's eagerness to focus on innovative medicines.

Also looking to increase new drug sales is Nippon Chemiphar, a third player among the 13 nonspecialized generic manufacturers. Generics make up 90% of the company's ethical drug sales, but it is currently working on the development of four innovative agents, aiming to raise the sales ratio of more profitable innovative medicines. In FY2016, the company is determined to invest 16.4% more money into R&D despite its projection that it would lead to a dip in profits.

In the meantime, Mochida Pharmaceutical is mainly developing biosimilars by leveraging its development prowess as a research driven firm, since it believes that it would be no match for the top three generic manufacturers in the small molecule generic arena. In addition to a biosimilar of *Gran Syringe (filgrastim)* already on the market, it has three more drugs now under development in Phase III.

Nihon Chouzai's generic operations registered 11.2 billion yen (US$102 million) in FY2012 to rank sixth among non-specialized manufacturers, but the figure expanded to 32.6 billion yen (US$298 million) to rank second in FY2015 after it acquired Choseido Pharmaceutical in April 2013. In the company's earnings briefing on May 11, President Hiroshi Mitsuhara said that it is looking to lift the number of products it handles from 574 in FY2015 to 1,000 in two years. By launching full scale operations at a new factory, the company expects the group's production capacity to increase to 15.7 billion tablets a year.

Patient-Centric Transitions for Pharma

(Sources: An article prepared by David Salazar and published by Drug Store News and Accenture)

A report from Accenture is shedding light on a new focus on the part of pharmaceutical companies: investing in patient-centered capabilities and services. The report uses responses from 200 American and European pharma executives, 85% of whom said that their companies would be increasing its patient-centered capabilities in the next two years. About nine-in-ten of the respondents said they expect their companies to offer six or more types of patient services in the coming two years — an increase over the 73% that currently offer that amount of patient services. "Having demonstrated clear business and patient value, patient services are attracting greater investment and will become a key competitive driver of success in the healthcare market," Accenture Life Sciences North American managing director of patient services Tony Romito said. "In this changing competitive environment, the question will no longer be if life sciences companies should offer these services, but rather which ones — and how they should be implemented."

For the most part, companies will be focusing on areas of benefit coverage and access support, as well as health counselor services participation and adherence program management. Ninety-five percent of the companies surveyed said they would also invest in patient engagement — including outreach through such channels as social media and other websites, as well as television. Additionally, companies plan to tailor their offerings to what patients value most highly: medication delivery and support, remote patient monitoring and adherence program management, which are highly values by 85%, 79% and 77% of patients, respectively.

But it may not be an easy job, Accenture said. In particular, companies will be up against a lack of awareness among patients as only 19% are familiar with these services despite companies' reliance on healthcare professionals to disseminate information about them, and 40% of executives said they couldn't precisely measure the impact of their services on outcomes — the primary objective driving their investment. "Life sciences companies seeking to invest in patient services will need to address issues that can impede their progress, especially as focusing on patient services will become increasingly critical to sustaining success in healthcare," said Andrea Brueckner, managing director of Accenture Life Sciences EALA practice. "This will require developing a patient-services strategy that fully aligns with patients' needs, measures success, and effectively communicates to healthcare professional how such services, in combination with their products, can provide better outcomes for their patients."

In Accenture's report, although 50% of the respondents indicated that their patient-centered capabilities were strong, 85% of the companies plan to increase their investment in patient-centered capabilities over the next 18 months. 91% of the companies will have six or more patient-centered services in 2 years, compared to 73% today. The average number of services offered today by these companies is 8.8 whereas in two years' time it is projected to be 13.6

Global Market for Cancer Treatments Grows to US$107 Billion in 2015

(Source: IMS Institute for Healthcare Informatics)

The IMS Institute for Healthcare Informatics issued its review of global oncology trends. This study is a comprehensive look at market dynamics shaping global oncology trends, drug innovation and cancer treatment availability around the world.

This year's report, *Global Oncology Trend Report: A Review of 2015 and Outlook to 2020*, finds that the global market for cancer treatments grew to US$107 billion in 2015, a year-over-year increase of 11.5 percent on a constant-dollar basis. A record number of innovative therapies fueled that growth, with 70 new oncology drugs launched in the past five years to treat more than 20 tumor types. However, many of the recently launched medicines are not yet available to patients in most countries, and even when registered they may not be reimbursed under public insurance programs.

The outlook for global growth in the oncology drug market through 2020 is expected to be 7.5-10.5 percent annually through 2020, reaching US$150 billion. Wider utilization of new products—especially immunotherapies—will drive much of the growth, offset by reduced use of some existing treatments with inferior outcomes. A large and diverse set of more than 500 companies is actively pursuing oncology drug development around the world. Collectively, they are advancing nearly 600 new molecules through late-stage clinical development, most frequently for non-small cell lung cancer and breast, prostate, ovarian and colorectal cancers.

The new science redefining cancer as a large number of narrowly defined diseases and yielding therapeutic options for an expanding number of patients is rapidly transforming the oncology treatment landscape. Most health systems are struggling to adapt and embrace this evolution—including the regulatory systems, skilled professionals, diagnostic and treatment infrastructures, and financing mechanisms required to serve the needs of cancer patients around the world. These challenges will require urgent attention in light of the strong near-term pipeline of clinically distinctive therapies, and new programs, such as the U.S. government's "cancer moon shot," that are galvanizing research efforts to change the trajectory for cancer.

The new IMS Institute oncology trends report is available at www.theimsinstitute.org.