

Retail Pharmacy in the Next Decade

(Sources: An article prepared by Michael Johnsen and published by Drug Store News Magazine that was based on speaker presentations at NACDS' Total Store Expo Vision 2027)

This past fall, Kaiser Family Foundation conducted a survey that found healthcare - after housing, utilities, and food cost - concerns were top-of-mind among Americans, despite the level of household incomes. Sarasohn-Kahn noted that it is still a leading concern for health care costs which are so hard to anticipate. The cost of health care for the average American is almost US\$26,000, Sarasohn-Kahn stated, and the average employee is paying about 20% of that cost. The U.S. government indicated that Americans are spending US\$3.4 trillion on health care. “[It’s an] unsustainable model; it has to shift toward a value-based payment, which has been slow to come but will be fast [when] implemented,” she remarked. In just two years, 50% of all Medicare payments [the U.S. program for the elderly] will be based on value, she said. A lot of that value-based care is based on patient experience, another area in which retail pharmacy excel. Retail pharmacists know how to deliver retail-level care when compared to hospitals and doctors she explained. “You’ve got this convergence now where these newer entrants [to healthcare delivery, such as] pharmacies, can really deliver on customer experience and data.”

The one common denominator that will bring into focus all future visions on what retail pharmacy will look like 10 years from now is secure connectivity and big data. Successfully managing health at scale will be established on efficient population management algorithms that enable caregivers to successfully intercept patients before a health event occurs. One of the companies that has been assembling the building blocks necessary to support those visions is IBM Watson Health.

“Our role is to serve as a catalyst, be an enabler and convene an ecosystem — thinking about leveraging data and knowledge to generate insights to power an ecosystem of solutions,” said Kathy McGroddy, VP partnerships and solutions at IBM Watson Health. Toward that end, IBM Watson has developed its Health Cloud to drive health insights and analytics in managing a massive amount of health data points. “Ten years out, I hope to see a health system that is much more about the individual,” McGroddy noted. “We’ve facilitated the opportunity for the individual not just to have access, but to be so engaged in their own health and wellness that they are playing a stronger role in controlling their data [and] the data sharing.” The role of the primary care physician is going to change, McGroddy added. IBM Watson Health has been working on a number of things with CVS Health [a large retail pharmacy chain] on adherence. As a result, IBM has recognized that the retail pharmacy connection point is really important. To capitalize on that connection point, IBM Watson Health and CVS Health are collaborating on enabling communications between care providers, such as a pharmacist and a family doctor, in order to close any potential gap in care. In addition to partners like CVS Health, IBM Watson Health has been connecting to other health stakeholders,

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In Brief . . .

- ◆ **Pfizer** was the winner of a competitive bidding process for the San Francisco-based biotech **Medivation** and will acquire the company in a deal valued at US\$14 billion. Pfizer CEO *Ian Read* commented, “By combining with Medivation, we’ll be creating one of the industry’s leading oncology franchises”, adding, “Given the breadth of Pfizer’s existing oncology portfolio, including a robust inline portfolio and an emerging immuno-oncology pipeline, Medivation’s assets will potentially benefit from many novel and productive combinations.” Also, Pfizer Inc. has agreed to buy part of **AstraZeneca** PLC’s antibiotics business for up to US\$1.575 billion plus royalties in a move the U.S. company said would boost the stable of older products it sells, some of which have lost patent protection.

- ◆ Ethical drug sales in Japan fell 0.8% in June compared to the same month in the previous year, according to **Crecon Research & Consulting**. The decline came partly because some drug wholesalers updated their delivery prices for healthcare providers based on new reimbursement prices adopted in April (which are cheaper than the old prices for most drugs) and due to a shift from long-listed products to generics after a number of new generics joined the market following their NHI price listing in the month.

- ◆ **Mayne Pharma** recently closed its US\$652 million acquisition of 42 products from **Teva** and **Allergan**, making Mayne Pharma one of the 25 largest retail generic pharmaceutical companies in the United States and the second-largest generic oral contraceptive provider. The portfolio includes 37 approved products and 5 products currently awaiting approval.

- ◆ The **CVS Health Research Institute** published a new study in *The American Journal of Managed Care* highlighting the cost-effectiveness of interventions that strive to keep patients with chronic conditions adherent to their medication. The study revealed particular savings potential when adherence programs are focused on patients with three or more chronic co-morbidities, with a preliminary analysis showing that payers might be able to save between US\$38 million and US\$63 million per 100,000 members by focusing on these patients.

- ◆ The number of drug reps in Japan totaled 64,135 at the end of March 2016, down 522 from a year before and representing a second year of sharp declines. The dynamic illustrates that drug makers have been seeking a leaner and more efficient sales force since the rep number peaked in 2013.

- ◆ **GlaxoSmithKline** will continue to invest in the UK despite the UK’s exit from the EU, committing £275 million / US\$360 million in its sites at Barnard Castle in Durham County, Montrose in Scotland and Ware in Hertfordshire to expand production of new respiratory drugs and biopharmaceuticals. The company expects the expansion to lead to a number of new jobs and provide further work for the 2,750 people already working at the 3 sites.

(Sources: Drug Store News, Pharma Japan, Scrip & Supply Chain Brain)

Retail (cont.) . . .

such as Johnson & Johnson and UnderArmour. “With those two partners in particular, we’re actually building some custom [programs],” McGroddy said.

In the next 10 years, the retail landscape will look and feel much different than it does today. “You’re going to be looking at a world that, instead of [retail] channels, there will be points of influence and methods of fulfillment,” Bryan Gildenberg, chief knowledge officer at Kantar Retail, said. “Where can I influence shoppers irrespective of where the buying takes place, and how do I fulfill that in a way where I can still keep my operations efficient and make money?” While that point of influence is as likely to be on a smartphone as it is in a physical location, order fulfillment won’t necessarily mean home delivery. “The United States is still going to be a market, particularly in the short- to medium-term, that will be dominated by home delivery in densely populated areas and by click-and-collect in more traditional suburban marketplaces,” Gildenberg said. Further store footprints are likely to shrink, as growth across smaller-store formats is presently outpacing growth across larger formats. Furthermore, primary care services will migrate to the retail arena. “Primary care doctors are going to go away,” Gildenberg suggests. “If you look at the continued efforts that the pharmacies are putting into [provider status], it just makes sense that retail pharmacy will turn into a distribution platform for some kind of health care,” he said. “The need for diagnostic triage is going to be...valuable to a healthcare system that’s going to be capacity restrained.”

Japanese Wholesalers saw Increases in FY2015 Revenue and Profit

(Source: Pharma Japan)

Member firms of the Federation of Japan Pharmaceutical Wholesalers Association (JPWA) saw a hefty 8.3% leap in their sales in the year ended March 2016 thanks to a huge demand for oral hepatitis C drugs, resulting in a rise of over 8% for the first time in 27 years, according to preliminary survey data released by the JPWA.

The JPWA conducted a survey on the FY2015 financial results of 75 companies, with 54 giving responses. The total sales of the respondent companies stood at 10,218,380 million yen (US\$101.6 billion), including 8,858,161 million yen (US\$88.1 billion) generated from ethical drugs, and with this, the JPWA believes the survey data well illustrate the landscape of the entire wholesale industry.

The 8.30% jump in sales is a strong figure unseen since the 8.37% recorded in the year through March 1989. It was primarily driven by a special demand for novel hepatitis C therapies, but it also came as a rebound from the previous year, when drug sales were impacted by a pullback from pretax hike demand. According to the survey data, robust sales sent their operating profit rate 0.61 basis points higher year on year to 1.28%, with the figure topping the 1% mark for the first time since the 1.12% was recorded in the year ended March 2008. Likewise, their ordinary profit rate rose 0.56 basis points to 1.79%.

Amid a drive to streamline operations, the number of employees shrank 0.88%, but personnel costs increased 1.64% as some companies increased their bonuses on their positive business performances. At a press conference, JPWA President Ken Suzuki – who is also an IFPW Director – summed up FY2015 as a year when wholesalers saw their earnings were greatly swayed by sales

of hepatitis C drugs, which carried large price tags. “Like seen in last year, the launch of expensive drugs has an influence on our sales at wholesalers. We’ve seen an unprecedented trend where expensive drugs transform the market,” he said.

Pfizer’s Investments in China

Source: an article prepared by Ying Huang and published in Scrip

Despite current cost pressures and the time needed for approval reviews, Pfizer sees a strong future for its biosimilar operations in China, as it recorded a solid second quarter performance for its traditional franchises and unveiled a series of new health alliances in this emerging market.

Pfizer Inc. is investing long-term in China, where it sees significant market opportunities for its biosimilar business in particular, a potential growth strategy which the company highlighted in its recent second quarter earnings call. The Chinese market, where Pfizer made its biggest capital investment in the quarter, contributed double-digit growth in both the cardiovascular and anti-infective franchises. “China continues to perform well, even in the face of some anticipated cost pressures,” John Young, group president for Pfizer Essential Health, noted. “We continue to see some strong volume growth overall. Our business grew around about 11% in the quarter.”

Pfizer remains “very positive” about the opportunities for its business in China, Young said, and overall its franchises are strongly growing. “It [the business] is very well-aligned with the priorities of the Chinese government, and we’re working very closely with them to strengthen primary care services and management for chronic diseases, which we believe will do good things for the Chinese healthcare system and for patients, and obviously are very well-aligned with our portfolio as well,” Young noted.

China was also a key driver of broader performance in emerging markets. “In emerging markets, operational revenue growth of US\$116 million or 4% was driven by legacy Hospira Inc. operations and certain Essential Health products, primarily in China,” Pfizer’s chairman and chief executive officer Ian Read noted. The company did not break out China figures but noted that Legacy Hospira operations contributed US\$78 million across emerging markets in the quarter.

As part of Pfizer’s efforts to align with needs of and better assistance to Chinese patients who are experiencing chronic diseases, Pfizer formed two strategic alliances with local partners in the second quarter. In May, it signed a memorandum with the China Cardiovascular Association to form an in-depth and broad collaboration, including high-quality professional competence exchange programs for cardiology, primary chronic disease management, a primary chest pain center construction project, a cardiovascular health indicators project based on big data management, and the establishment of a volunteer service team.

Another strategic partnership was established with the National Center for Cardiovascular Disease in June that covers cardiovascular disease prevention policy. This includes the establishment of research and specifications, prevention and control technology development, and academic research in disease trends based on big data.

Most recently, Pfizer and the Guizhou provincial government signed a major strategic collaboration framework agreement for developing “Big Health”. The concept of Big Health encompasses a wide range of healthcare industries including pharmaceuticals, healthcare products, medical equipment and healthcare [big] data.