



How Manufacturers Can Benefit from the Hubs Offered by Wholesalers

(Source: an article prepared by Tom Doyle, Executive Vice President of Commercial Solutions, H. D. Smith, and published by Drug Channels)

The healthcare market is in the midst of a turbulent transformation, shaping distribution channels and support services required to ensure patients benefit from innovative pharmaceutical products. Today, manufacturers are challenged in this new landscape: 1) Retail products face significant reimbursement and channel access barriers; 2) Specialty products are becoming more accessible through improved delivery systems; and, 3) “Tweener” drugs that do not fit into traditional specialty or retail support models have emerged.

Consequently, it is critical for manufacturers to innovate across the patient and product journey. Taking center stage among the changes in this evolving market is a holistic hub support approach that addresses the needs of the patient, provider and payer, while decreasing operational costs. At H.D. Smith [a US pharmaceutical wholesaler], the belief is that a unified suite of solutions strengthens a manufacturer’s brand in the market.

THE CHALLENGE FOR COMMERCIAL TEAMS: Manufacturers’ commercial teams need external partners that are flexible, provide a full range of solutions, offer greater operational efficiencies, and move quickly to ensure all stakeholders are embraced. Most commercial teams have spent years developing a product and market for a successful launch, yet may lack either the internal resources or external partnerships to fully support commercialization. When seeking to develop strategic partnerships, it is important to align with the capabilities of your partners. This ensures that culture and long-term objectives are focused on creating value across the supply chain.

This approach is especially crucial for emerging pharmaceutical companies, which often struggle to find a single provider that will develop customized solutions for smaller product launches. The management of the current environment’s maze of services can be challenging and may start at different points in the supply chain. In many cases, physical storage and distribution are the entry points. For others, significant market-access challenges direct initial commercialization efforts toward reimbursement solutions. By choosing a partner that can facilitate a full set of solutions through a modular Hub platform, brand teams have the flexibility to add or remove programs as needs change. By focusing on each step in the product journey during initial assessment of an emerging company’s needs, flexible partners can improve access and reduce program costs through a truly integrated approach.

A strategic partner can also create significant value by incorporating data from 3PL, distribution, sampling, patient assistance, pharmacy and affordability solutions through one provider. This connectivity of data enables the pharmaceutical company to use resources to improve the patient and provider

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♦ **Walgreens Boots Alliance** has announced the appointment of **José Almeida**, Chairman and CEO of **Baxter International**, to its Board of Directors effective immediately. Almeida will serve as an independent director, and will become the board’s 11th member. Almeida brings 25 years of experience in healthcare (including medical devices, consumer health products, surgical instruments and biopharmaceuticals), as well as an extensive background in public company governance.

♦ Finnish wholesaler and retailer **Oriola-KD Corporation** and **Boehringer Ingelheim** pledged to continue their longstanding cooperation in a new agreement signed on April 7th. This agreement solidifies the companies’ goals to study and develop innovative solutions in the interest of better health for the Finnish population.

♦ Leading information and technology services provider **QuintilesIMS** has announced its alliance with **SalesForce** to build next generation solutions for life sciences firms – from molecule to market. These new solutions will be built on the SalesForce platform and will incorporate the advantages of a built-in cloud and mobile, social and artificial intelligence capabilities. These solutions will be designed to assist life science companies better manage clinical trials, accelerate patient recruitment and improve the efficiency and effectiveness of marketing activities, along with other key commercial objectives. Terms of the global multi-year agreement have not been disclosed.

♦ In an effort to add to its list of in-store offerings, **CVS Pharmacy** is adding both audio and optical centers to its retail stores. Seven hearing and five optical centers have already been opened in the Baltimore-Washington, D.C. area. Current

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Beijing’s Medical Reform

(Source: an article prepared by Xi Zhiming, a senior writer with China Daily and published by China Daily)

The Beijing municipal government launched a landmark medical reform early this month by separating drug sales from medical treatment in public hospitals with the aim of lowering overall medical costs and improving services for patients. The reform, implemented in more than 3,600 medical institutions across the city, replaces the traditional registration fee (which was deemed too low for doctors) with higher medical service charges, while reducing the fees for the use of equipment such as computed tomography and nuclear magnetic resonance but increasing the charges for certain medical services that require high level of experience, expertise and/or staff time, including acupuncture. The reform also eliminates the practice of drug price markup by hospitals, which was as high as 15 percent.

The public response, however, has been one of concern. After the reform, the cost of consulting a doctor has increased, but

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experience, and the supply chain partner to provide a comprehensive and integrated view of a brand's performance.

PATIENT SUPPORT MODELS IN TRANSITION: The need for flexibility and creativity is not limited to emerging companies. Today, each brand launch is unique. Commercial teams should consider new approaches before placing a product into traditional distribution models or even established specialty channels. Hub models supporting high-priced infused or injectable biologics are well established for specialty products targeting small patient populations. Historically, these products were often "buy-and-bill" with reimbursement managed through patients' major medical benefit and distribution controlled through clinics or limited networks of specialty pharmacies.

Today, the models are rapidly changing with infused products often transitioning to oral or self-administered delivery systems, and reimbursement becoming a mix of major medical and pharmacy benefits. An additional layer of complexity is the emergence of mid-tier specialty ("tweener") products, which are set to dominate growth in the specialty space. These products can range in price from US\$300 to over US\$2,000 dollars per month. They are lower cost than traditional specialty products, yet require many of the high-touch solutions provided by a hub, such as benefit verification, prior authorization and case management. The alignment of patient support and product distribution is integral in this category because channel configuration can include retail, specialty and direct-to-patient models.

Strong coordination of all services becomes a critical factor given the complexity of communication and operational processes throughout the supply chain.

THE HUB STRUCTURE: In the case of H.D. Smith, their Hub consists of five companies that provide the following services:

- **Research and Development:** Assist and manage clinical trials.
- **Product Launch:** Third party logistics (3PL); Reimbursement & co-pay programs; Patient assistance programs; Direct to patient delivery; Specialty distribution.
- **Commercialization:** Field reimbursement; Distribution networks; Managed care contracting; Adherence programs.

Beijing (cont.)...

the overall charge paid by patients for medication has declined, according to media reports. The change in the behavior of doctors brought about by the reform is that they have become more cautious in prescribing medicines leading to lower medication costs.

The move by Beijing is seen as a pilot for a nationwide medical reform given that the country faces the challenge of rising medical charges that have increased the financial burden of patients. More provinces and regions are expected to launch similar reforms, learning from the experiences gained from the Beijing program. Like any other reform, Beijing's move has also triggered some complaints from the people, who argue that while they have to spend much more to consult a doctor, their overall medical cost has not dropped as significantly. Still, the Beijing reform is boosting the morale of doctors by increasing their incomes. Previously, a patient needed to pay only 2 yuan (29 US cents) to consult a doctor in a public hospital, which didn't match the expertise and labor of

the doctors and, regrettably, became a reason for the doctors to accept kickbacks from drug dealers in exchange for prescribing excessive medicines. Now the medical service charge (replacing the previous registration fees) has been raised to 10 yuan for young doctors, and up to 40 yuan for experienced doctors. The elimination in drug price markups in hospitals is also an encouraging move, as people had been complaining about high medication costs.

However, the author suggests that the reform is far from complete. It only tackles problems that occur in hospitals and fails to solve those plaguing the long chain of medicine supply. Although drug price markup by hospitals was a key reason for the exorbitant medication costs, it was not the main factor of the overall problem of exorbitant medical costs. The author states that the main problem lies in the circulation process [supply chain], where, in some cases, the bidding price of a drug accepted by a hospital could be 10 times more than the general market price. The enormous profits made from the price gaps are shared by pharmaceutical companies, intermediary medicine dealers, and hospital staff, including kickbacks for doctors. Worse yet, states the author, the inflated medication costs are paid from public funds (through medical cost reimbursement) and by patients.

Many media reports in recent years have revealed the dirty tricks in the drug supply chain that have greatly pushed up the final sales price of medicines in hospitals. Although the authorities have taken several measures to deal with the problem, the situation has not improved much and public complaints keep mounting. As a solution to inflated prices, the author recommends that if the authorities are indeed serious about solving the high medical cost problem, they should take real and substantive measures to better regulate the industry thus preventing the prices of medicines sold through hospital dispensaries from increasing wildly.

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expansion plans include the additional services to 50 locations by the end of 2017. The additional offerings will be housed in space adjacent to the pharmacies with square footage similar to CVS' MinuteClinics.

- ♦ **The U.S. Food and Drug Administration** has approved *Renflexis (infliximab-abda)* for multiple indications. The drug, the second biosimilar to *Remicade*, is administered through IV infusion. Developed by South Korean company **Samsung Bioepis**, it will be marketed by U.S. pharmaceutical manufacturer **Merck**.

- ♦ Japan's ruling Liberal Democratic Party's committee on health, labor and welfare will institute a resolution which will incorporate its positions on the planned overhaul of Japan's drug pricing system. Discussions were held on the government's "basic policy" for the reforms with input a number of Japanese pharmaceutical associations, and the Pharmaceutical Research and Manufacturers of America. A subsequent hearing is being held on April 27th. All opinions will be considered as the panel draws up the final resolution.

- ♦ Japanese generics manufacturer **Sawai Pharmaceutical** will purchase the generics business from **Upsher-Smith** parent company **Acova** for US\$1.05 billion. The agreement is expected to close in late June 2017 and the company will be

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led by Upsher-Smith president *Rusty Field*. All remaining non-generics pharmaceutical business will remain with Acova. This acquisition represents a major expansion of Sawai's presence in the U.S. market.

- ◆ **Daewoong Pharmaceutical** (South Korea) will launch its generic antibiotic *Meropenem* in the United States. This is Daewoong's first product offered in the U.S. as well as the first Korean generic drug sold in the U.S. *Meropenem* is the generic form of *Merem*, developed by **AstraZeneca** and used in the treatment of everything from bacterial infections to general diseases.

- ◆ To mark *World Malaria Day 2017*, **Bayer** has partnered with **Goodbye Malaria** to increase efforts to bring an end to malaria in South Africa. "We are excited to collaborate with Bayer to expand our malaria control programs as we share a common belief that malaria elimination is possible thanks to vendor-control solution," commented *Sherwin Charles*, co-founder of Goodbye Malaria. "In gathering local as well as international, public and private partners around this common objective we expect to accelerate its fulfillment and End Malaria for Good."

Sources: Company Press Releases, Drug Store News, and Pharma Japan)

Cardinal Health to Acquire Leading Patient Product Portfolio from Medtronic for US\$6.1 Billion

(Source: Cardinal Health Company Press Release)

Cardinal Health announced that it has entered into a definitive agreement to acquire Medtronic's Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses for US\$6.1 billion in cash. The purchase price does not include cash tax benefits of at least US\$100 million. The acquisition is expected to be financed with a combination of US\$4.5 billion in new senior unsecured notes and existing cash. The transaction is expected to close in the first quarter of Cardinal Health's fiscal year 2018, subject to customary closing conditions, including regulatory clearances.

The Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency businesses encompass 23 product categories across multiple market settings, including numerous industry-leading brands, such as *Curity*, *Kendall*, *Dover*, *Argyle* and *Kangaroo*, which are used in nearly every U.S. hospital. Total revenues for the businesses were US\$2.3 billion for the 12 months ending October 2016 with more than 70% of total sales in the U.S.

By the end of fiscal 2020, the company assumes synergies will exceed US\$150 million annually. "We are thrilled about today's announcement, as this well-established product line is complementary to our medical consumables business and fits naturally into our customer offering. For this reason, this product portfolio has been on our radar for many years," said George S. Barrett, Cardinal Health chairman and CEO. "We distribute some of these products today and have been collaborative partners with the leadership of this business. Given the current trends in healthcare, including aging demographics and a focus on post-acute care, this industry-leading portfolio will help us further expand our scope in

the operating room, in long-term care facilities and in home health care, reaching customers across the entire continuum of care.

"We're also looking forward to welcoming the more than 10,000 employees across these businesses who share our dedication to serving customers and their patients by providing high-quality products and services."

IFPW "Goes Green" with Mobile Meeting App for its 2017 CEO Roundtable

In efforts to align with the United Nations' Sustainable Development Goals* and in recognition of Earth Day, IFPW has created a mobile meeting app containing all meeting materials, including attendee lists, schedules, meeting agendas, speaker bios, sponsor information and social media activity feed in a "paperless" format. You can also find links to ground transportation and IFPW's website, maps and useful information including WIFI instructions, and pertinent info on local weather, city, hotel and social program events. This year, the meeting app will include interactive survey questions for each business session presentation topic, with the goal of ensuring that the information and speakers reflect our attendees' input on what meeting topics are most important, relevant and timely.

CEO Roundtable participants are encouraged to download the app before the meeting to keep up with any schedule changes that might occur. You can also contact other attendees to set up meetings at your convenience. The IFPW mobile meeting app is available for download at Apple's App Store and in Google Play (for Android users.) You can also use the QR Code shown below to install on your device. Once the app has been downloaded, you will be prompted for information to verify your attendance at the meeting to complete the download. Confirmed registrants should also receive an email inviting them to download the meeting app. If you are attending the CEO Roundtable and have not received your invitation, please contact Christina Tucker at c.tucker@ifpw.com and she will ensure that one is sent right away.

This is IFPW's third generation mobile meeting app (the first was available at the IFPW 2014 General Membership Meeting in Beijing.) The mobile app has gained considerable popularity with each meeting and we are excited to provide the most up-to-date information to our attendees in real time. We welcome your input on all aspects of the mobile app – both positive and negative – so that we may continue to improve the experience for future meetings.



QR Code for IFPW Mobile Meeting App

* For more information on the United Nations' list of Sustainable Development Goals, please visit <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>.