



## McKesson Completes a Challenging Year

*(Sources: McKesson Press Release, and an article prepared by Michael Johnsen and published by Drug Store News)*

Heading into fiscal 2018 (ending March 2018), McKesson has some tailwinds that are driving optimism for the wholesaler, including a recaptured generics share in the independent retail pharmacy space and a burgeoning partnership with Walmart.

"In the first half of our fiscal year [2017], we saw increased price competition in the independent retail pharmacy channel, which eventually resulted in reduced volumes for McKesson," acknowledged John Hammergren, chairman and CEO. But the wholesaler has recaptured that lost volume, he said. "In the end, it was important that we were able to recapture our volume, but is even more significant to retain and build upon on our longstanding relationships we've established with [the] customer base," Hammergren added. "This included expanding our Health Mart franchises ... adding hundreds of new stores."

And the company's year-old generics sourcing partnership with Walmart, *ClarusONE*, has also made significant progress, Hammergren said. "We are encouraged by the first year success of this initiative, which demonstrates how our sourcing expertise delivers significant value. We are optimistic that we will identify expanded opportunities to partner with Walmart in the future."

"This new organization first, focused on harmonizing pricing across our respective sourcing arrangement," added James Beer, EVP and CFO, McKesson. "This was completed late in fiscal 2017 [ended March 2017]. Walmart is realizing the benefits from this initiative, and we are now progressing on discussions with manufacturers based on our joint volumes from which we expect to share additional synergies," he said. "However, it is important to note that the economics from *ClarusONE* ... represents only a portion of the overall value of the expanded relationship with Walmart."

"As we exit a challenging fiscal year, I am encouraged by our strong fourth-quarter results," Hammergren stated. "Our Fiscal 2017 was impacted by both company-specific and industry pressures. However, due to the actions we have taken, I believe we have positioned our businesses well to address evolving market dynamics and to capitalize on future growth opportunities."

McKesson reported revenues of US\$48.7 billion, up 4%, for the fourth quarter ended March 31. For the fiscal year, McKesson had revenues of US\$198.5 billion, also up 4%.

"Despite the difficult business environment, we were able to drive record operating cash flow results in Fiscal 2017," Hammergren continued. "We were also pleased with the creation of Change Healthcare, which we believe will drive significant value for our shareholders."

McKesson Corporation and Change Healthcare Holdings, Inc. (CHC), a provider of software and analytics, network solutions and technology-enabled services completed their agreement to create

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## In Brief...

- ♦ *Mr. Ken Suzuki* was reelected as President of the **Japan Pharmaceutical Wholesalers Association (JPWA)** for a third two-year term at the association's general meeting on May 25th. "We will continue to work on the promotion of single-product, single-price transactions," Mr. Suzuki said. It was also decided that going forward there will be a limit of two terms served, with an extension allowed if agreed upon by the Board. Mr. Suzuki also serves as Vice Chairman of IFPW's Board of Directors.

- ♦ In order to improve supply chain efficiency and help reduce the cost of generic drugs, **Express Scripts Alliance Development (WBAD)** group purchasing organization through its wholly-owned subsidiary **Innovative Product Alignment**. Additionally, **Econdisc Contracting Solutions**, a group purchasing organization that contracts directly with manufacturers, will also have access to WBAD's sourcing efforts through an agreement between Econdisc and Innovative Product Alignment.

- ♦ The month of March saw a 4.4% decline in ethical drug sales in Japan compared to the same month last year, reported **Crecon Research and Consulting**. Demand for Hepatitis C cures dipped while generics added downward pressure on the revenues of their originators. Sales in flu drugs and pollen allergy treatments declined in February. Crecon's report is based on sales of wholesalers to healthcare providers.

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

## Precision Medicines and Their Challenges

*(Sources: QuintilesIMS Institute and an article prepared by Brian Berk and published by Drug Store News)*

A new report from the QuintilesIMS Institute outlines a number of challenges that health systems need to overcome in order to maximize the benefits that precision medicines offer to patients.

The report also describes the roles of different stakeholders within the health system, including pharmacists. "Pharmacists need to understand what's happening around them regarding the availability of precision medicines and their profiles. The pharmacology of precision medicines is complex. Pharmacists have an important role to play in understanding these medicines, interpreting diagnostic results and ensuring that the requisite testing has been and is being done so that the right patients are treated," Murray Aitken, executive director of the QuintilesIMS Institute and co-author of the report, said during the International Pharmaceutical Federation 6th Pharmaceutical Sciences World Congress, that took place in Stockholm.

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## Precision Medicines (cont.)...

Precision medicines are defined as treatments tailored to groups of patients based on predictive biomarkers (which indicate who is likely to benefit from the drug) or to individuals based on their unique genetic profile or status, such as age and gender. “There are around 80 precision medicines currently on the market, over half in the field of cancer treatment, but in the past five years we’ve seen a surge in new precision medicines — and spending on them — and there are more in the pipeline,” said Aitken.

He pointed out that since 45% of these medicines are coming to market with “black box warnings” indicating evidence of an association with serious hazard, pharmacist engagement with patients is also important: “Pharmacists can enroll patients on pharmacovigilance programs. And when serious side effects are possible, the relationship that patients have with the pharmacist can help those side effects be more quickly identified. It’s critical for pharmacists to step up and play the fullest role they can.”

The report, “Upholding the clinical promise of precision medicine: Current position and outlook,” also highlights clinical decision-making, shortcomings in health system diagnostics, patient privacy issues, global availability, gathering big data and cost as among the challenges faced. “There’s no question that the science is advancing rapidly. The question is whether the health care system is advancing fast enough to ensure patients will benefit from these medicines. Precision medicines have unique traits that the current health care framework does not adequately support,” said Aitken.

The report concludes with a set of recommendations for the future applications of precision medicines, including continued uptake of multi-panel diagnostic testing and the sharing of health care data. “These recommendations are not going to solve all the problems but they’re a pragmatic way forward. Precision medicines can add significant value for patients and health systems by offering improvements in response rate and tolerability, dosing guidelines, potential drug-drug interactions, and effective management of complex diseases,” said Aitken.

## 2017 World Health Assembly Update

*(Source: World Health Organization)*

Delegates at the World Health Assembly in May addressed dementia, immunization, healthcare for refugees and migrants, terminology for “substandard” medicines and the global drug abuse problem. The Assembly endorsed a global action plan on the public health response to dementia 2017-2025 and committed to developing ambitious national strategies and implementation plans. The global plan aims to improve the lives of people with dementia, their families and the people who care for them, while decreasing the impact of dementia on communities and countries. Areas for action include: reducing the risk of dementia; diagnosis, treatment and care; research and innovative technologies; and development of supportive environments for care-givers.

Delegates agreed to strengthen immunization to achieve the goals of the Global Vaccine Action Plan (GVAP). In 2012, the Health Assembly endorsed GVAP, a commitment to ensure that no one misses out on vital immunization by 2020. However, progress towards the targets laid out in that plan is off track. Halfway through the decade covered by the plan, more than 19

million children were still missing out on basic immunizations. The Assembly’s resolution urges Member States to strengthen the governance and leadership of national immunization programs.

Delegates asked the Director General to provide advice to countries in order to promote the health of refugees and migrants, and to gather evidence that will contribute to a draft global action to be considered at the 72nd World Health Assembly in 2019. There are an estimated 1 billion migrants in the world – one in seven of the world’s population.

“Substandard” medical products (also called “out of specification”) are authorized by national regulatory authorities, but fail to meet either national or international quality standards or specifications – or in some cases, both. “Falsified” medical products deliberately or fraudulently misrepresent their identity, composition or source. The Assembly also agreed on a definition of “unregistered or unlicensed medical products”. These have not been assessed or approved by the relevant national or regional regulatory authority for the market in which they are marketed, distributed or used. The new terminology aims to establish a common understanding of what is meant by substandard and falsified medical products and to facilitate a more thorough and accurate comparison and analysis of data. It focuses solely on the public health implications of substandard and falsified products, and does not cover the protection of intellectual property rights.

In a statement to the WHA, The International Pharmaceutical Students’ Federation, in unity with the Fight the Fakes Campaign, reiterated the dangers of the falsified medicines and the need for global awareness. It also emphasized the chronic public health issue that results in delayed care, disease progression, increased mortality and antimicrobial resistance. *(To read the IPSF’s statement to the WHA in its entirety, please visit [www.ifpwfoundation.org/pdf/2017WHASTatement.pdf](http://www.ifpwfoundation.org/pdf/2017WHASTatement.pdf).)*

Delegates agreed on the need for intensified efforts to help Member States address the world drug problem. They asked the WHO Secretariat to strengthen its collaboration with the United Nations Office on Drugs and Crime and the International Narcotics Control Board to implement the health-related recommendations of in the outcome document of the 2016 Special Session of the United Nations General Assembly on the world drug problem (UNGASS). It has been 26 years since the Health Assembly made a decision on this topic. The Secretariat is asked to report back on progress in 2018, 2020 and 2022.

*<sup>1</sup>The World Health Assembly is the decision-making body of the World Health Organization (WHO). It is attended by delegations from all WHO Member States and focuses on a specific health agenda prepared by the Executive Board. The main functions of the World Health Assembly are to determine the policies of the Organization, appoint the Director-General, supervise financial policies, and review and approve the proposed program budget. The Health Assembly is held annually in Geneva, Switzerland.*

## McKesson (cont.)...

a new healthcare information technology company. The new company is named Change Healthcare and combines substantially all of CHC’s business and the majority of McKesson Technology Solutions (MTS).