

IFPW Staff Attends GHSC Summit and Visits Members

Earlier this month Chris Goetz and George Bray attended the 10th annual Global Health Supply Chain Summit in Accra, Ghana. The event convened over 300 delegates from public and private health organizations, government, donor groups and service providers to discuss the importance of supply chain performance in delivering healthcare and reaching countries' health targets. In addition, many of the offered sessions focused on challenges facing today's supply chains, particularly in developing markets, and the ways to potentially address these and improve overall performance. (more information can be found at <http://ghscs.com/>).

Following the 2 full days of interesting conference programming, the staff then took the opportunity to visit 2 member organizations' operations. First was a visit to the Imperial Health Sciences (IHS) facility located in Tema, which provides warehousing and logistic services to clients including, multinational manufacturers, USAID and the Global Fund. The modern facility is an example of IHS' Warehouse-in-a Box™ (WiB) turnkey solution that delivers the infrastructure, equipment and support services to rapidly erect a fully-functional, ready-to-use, pharmaceutical warehouse and operational service via fully-compliant, world class storage and operational facilities. Next up was a visit to two businesses of Eurapharma located in Accra, Euracare and Gokals-Laborex. Euracare is a brand-new, state-of-the-art diagnostic facility which offers imaging/radiology services, a cardiac cath lab, dental services, and general diagnostic screening and consultation (amongst others) and hosts one of only a few MRI machines in Ghana. Gokals-Laborex is a full-service pharmaceutical warehousing and distribution center. This facility, like all of Eurapharma's others, complies with all of the relevant European/global best practices and regulations and sets a new local standard for others to aspire towards.

Thank you to all the members for their hospitality and opportunity to see the good work they do!



IFPW Staff meet with Eurapharma representatives in Ghana

In Brief...

- ◆ According to the **World Health Organization**, approximately 11% of medicines in developing countries are fake and attribute to the deaths of thousands of children suffering from diseases such as malaria and pneumonia. (Drugs for treating malaria and bacterial infections account for nearly 65% of all fake medicines.) WHO is working to assess the problem and experts reviewed 100 studies involving 48,000+ medicines. IFPW is a partner and currently serves as Secretariat of the *Fight the Fakes* global campaign, an initiative aimed at educating the public on the dangers of falsified medicines. Fight the Fakes was highlighted by several presenters, including WHO Director-General *Dr. Tedros Adhanom Ghebreyesus*, at a WHO event on November 29th at the Graduate Institute in Geneva.

- ◆ On November 6th, **QuintilesIMS** rebranded the publicly traded company as **IQVIA** (ticker symbol IQV.) *Ari Bousbib*, IQVIA Chairman and CEO stated, "Our clients have been instrumental in our becoming IQVIA. IMS Health and Quintiles came together because our clients were asking for better, faster ways to bring innovations to patients and capture the improvements the industry has been pursuing." IQVIA also announced that its customized client solutions for advanced analytics and extensive industry knowledge would be powered by **IQVIA Core**.

- ◆ It is expected that the Japanese government will introduce a new annual drug price survey/re-pricing cycle beginning April of 2021 for a number of products that would be defined by the end of 2020. The government will likely avoid the proposed new cycle FY2019 due to a scheduled hike in consumption tax slated for October of 2019. Plans for the drug price overhauls is expected to be presented to the Central Social Insurance Medical

(continued on page 3)

UPS Moves to Strengthen Its Offerings to Rx Manufacturers

(Source: Edited excerpts of an article prepared by Thomas Franck and published by CNBC)

United Parcel Service has acquired a manufacturing pharmacy license from the state of Georgia's Board of Pharmacy, enabling the company to not only ship pharmaceuticals, but also relabel them. UPS has, for years, acted as a carrier for drug companies like Merck, which has a facility based in Georgia. The new license would effectively give UPS more flexibility in handling product.

A UPS spokesperson confirmed the new license was obtained, but maintained that this was part of standard operating procedure in order to remain compliant with federal law. The new license could also be required if UPS wanted to add an insert to a shipping package, the spokesperson said. "UPS recently obtained both an FDA registration for relabelling activities and a license issued by the Georgia State Board of Pharmacy in order to provide services related to new and potential business engagements at the Duluth

(continued on page 2)

Teva Makes Organizational Changes

(Sources: Business Wire, CNBC and Yahoo Finance)

Teva Pharmaceutical Industries announced a new organization and leadership structure to achieve better commercial focus and drive value creation. Kare Schultz, Teva's President and CEO, said, "Teva is taking decisive and immediate action to address external pressures and internal inefficiencies. Our new company structure will enable stronger alignment and integration between R&D, operations and the commercial regions, allowing us to become a more agile, lean and profitable company."

The commercial business will no longer have two separate global groups for generics and specialty medicines, and will be integrated into one commercial organization, operating through three regions: North America, Europe and Growth Markets. Each of the regions will manage the entire portfolio, including generics, specialty and OTC.

The former Generic R&D and Specialty R&D organizations will be combined into one global group with overall responsibility for all R&D activities.

A newly formed Marketing & Portfolio function will be responsible for overseeing the interface among regions, R&D and operations throughout all product lifecycle stages.

The commercial structure will rely on one leaner supporting organizational infrastructure that includes Finance, Legal, HR, and Global Brand & Communications.

Part of the new management team includes Brendan O'Grady as EVP, North America Commercial; Richard Daniell as EVP, European Commercial; Gianfranco Nazzi as EVP, Growth Markets Commercial; Sven Dethlefs as EVP, Global Marketing & Portfolio.

CNBC reports that Teva will send termination letters to 10,000 employees, including executives, across the U.S. and Israel. Separately, Yahoo Finance reported that Allergan Plc said it will sell just under a quarter of its roughly 10 percent stake in Teva Pharmaceutical Industries during the first quarter of 2018, as it starts to unwind its position in the struggling generic drugmaker.

AmerisourceBergen Corporation will be acquiring H.D. Smith

(Sources: ABC Press Release and an article prepared by David Salazar and published by Drug Store News, and D&B Hoovers)

AmerisourceBergen Corporation (ABC) will pay US\$815 million in cash for H.D. Smith, which is currently the United States' largest independent wholesaler. The Springfield, Illinois-based H.D. Smith has been in business since 1954, and currently operates 10 distribution centers across the U.S., which provide full-line distribution of branded, generic and specialty drugs. H.D. Smith's customers include retail pharmacies, specialty pharmacies, long-term care facilities, hospital systems and independent doctors and clinics.

"The acquisition of H. D. Smith - a best-in-class private distributor with facilities across the country and a diversified customer base - strengthens our core business and expands and enhances our strategic scale in U.S. pharmaceutical distribution," AmerisourceBergen chairman and CEO Steve Collis said. "This acquisition also builds upon our foundation and meaningfully expands our support for independent community pharmacies."

AmerisourceBergen group president of pharmaceutical distribution and strategic global sourcing, Bob Mauch, said that

H.D. Smith's work with community pharmacies blends well with the services AmerisourceBergen has been providing through its Good Neighbor Pharmacy (GNP) independent pharmacy network and its pharmacy services administrative organization, Elevate Provider Network. "They are completely aligned with us in terms of their focus on community care, and they have a keen focus on community pharmacy and Independent community pharmacy that they've had for a long time," Mauch said. "We're committed to being differentiated in the marketplace around customer experience so our customers can focus on their patients and their business. ... and H.D. Smith shares that very same philosophy. In fact, we expect we'll learn some things from them as well, which we're very excited about."

AmerisourceBergen noted that H.D. Smith's subsidiaries - pharmaceutical brand support provider, Triplefin, and its PSAO Arete Pharmacy Network were not included in the acquisition.

AmerisourceBergen said that acquiring H.D. Smith would slightly increase the company's earnings per share in fiscal year 2018, noting that it now expects revenue growth of 8% to 11 %, adjusted operating income growth to be 4% to 7% and pharmaceutical distribution services operating income growth of 4% to 8%. Beyond the financial impact, Mauch said that the combination of the companies was a way to expand AmerisourceBergen's efforts to support healthcare within communities through customer service, which include a revamping of its distribution network from both a physical and IT perspective. "We're continuing in a direction that's very focused on community providers in general for AmerisourceBergen," Mauch said. "The investments that you see - whether it's the distribution network and IT or GNP and Elevate, I think acquiring H.D. Smith is another step in that direction in terms of us being able to bring some of those services and resources to the independent pharmacy community"

It is estimated that H.D. Smith's annual revenue is about US\$1.5 billion. ABC said it expects the deal to close in early 2018.

UPS (cont.)...

facility in Georgia," he said.

Stephen Buck, an authority in drug supply chains and co-founder of Courage Health, suggests that pharmaceutical manufacturers are interested in exiting the supply chain management function in order to concentrate on research.

The UPS move comes as the shipper faces pressure in its main business from Amazon, a partner but also a potential competitor as the ecommerce giant experiments with delivering its own products. A tighter relationship with drug manufacturers would be a way for UPS to potentially protect itself from Amazon, making a move in a similar direction.

Analysts are wondering what exactly Amazon is up to in the pharmaceuticals space. Amazon recently made headlines (earlier reported in the *FOCUS* newsletter) after it had appeared to acquire a series of wholesaler licenses. Those licenses, though, are not a clear sign that Amazon is trying to disrupt the pharmaceuticals shipping and distribution business. The licenses Amazon applied for also cover the distribution of medical-surgical equipment and other related devices. Much confusion stems from the fact that many states in the U.S. tend to lump various types of distributors together. However, CNBC reported earlier this year that Amazon has held at least one meeting to weigh entering the pharmaceutical

(continued on page 3)

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space. UPS could also potentially benefit from a move by Amazon if it's chosen to ship the drugs.

Back in 2009, UPS had an agreement with Merck, which had once handled its own distribution, but outsourced the management of its supply chain to UPS in an effort to cut costs and concentrate staff on research. That license expired in 2015. UPS declined to say if it was already working with any drug companies like a Merck for its new business. Merck did not comment at the time the article was published.

Nicodemo Fiorentino, a drug supply chain and compliance attorney, commented that as a repackager, UPS is not just taking the product as it is from the manufacturer but it is capable, under the new license, of modifying the product packaging, dividing it up into different units. "Becoming an FDA-registered relabeler means UPS now has the ability to take products from a manufacturer, relabel them, and sell the product under their own label or brand. Fiorentino suggests that because of FDA requirements, it will soon be known what UPS will relabel, as each FDA registrant must list each drug that it manufactures, repacks, relabels, or salvages for commercial distribution.

It appears that UPS is not looking to claim a function already done by drug wholesalers-distributors. "I don't think there will be any impact on traditional distributors. They've been in this industry for years," said Courage Health's Buck. "This is an extension of licensing, maybe deepening their relationship with the manufacturer and keeping in compliance." With the license, UPS is trying to provide a service for a new client and future ones, the UPS spokesperson said.

Augmented Reality Strategy (AR)

(Source: an article prepared by Michael Porter and James E. Heppelmann and published by the Harvard Business Review (November-December 2017 issue))

There is a fundamental disconnect between the wealth of digital data available to us and the physical world in which we apply it. While reality is three-dimensional, the rich data we now have to inform our decisions and actions remains trapped on two-dimensional pages and screens. This gulf between the real and digital worlds limits our ability to take advantage of the torrent of information and insights produced by billions of smart, connected products (SCPs) worldwide.

Augmented reality, a set of technologies that superimposes digital data and images on the physical world, promises to close this gap and release untapped and uniquely human capabilities. Though still in its infancy, AR is poised to enter the mainstream; according to one estimate, spending on AR technology will hit \$60 billion in 2020. AR will affect companies in every industry and many other types of organizations, from universities to social enterprises. In the coming months and years, it will transform how we learn, make decisions, and interact with the physical world. It will also change how enterprises serve customers, train employees, design and create products, and manage their value chains, and, ultimately, how they compete.

In the article, the authors describe what AR is, its evolving technology and applications, and why it is so important. Its significance will grow exponentially as SCPs proliferate, because it amplifies their power to create value and reshape competition.

AR will become the new interface between humans and machines, bridging the digital and physical worlds. While challenges in deploying it remain, pioneering organizations, such as Amazon, Facebook, General Electric, Mayo Clinic, and the U.S. Navy, are already implementing AR and seeing a major impact on quality and productivity. The article provides a road map for how companies should deploy AR and explain the critical choices they will face in integrating it into strategy and operations.

Isolated applications of AR have been around for decades, but only recently have the technologies become available that are required to unleash its potential. At the core, AR transforms volumes of data and analytics into images or animations that are overlaid on the real world. Today most AR applications are delivered through mobile devices, but increasingly delivery will shift to hands-free wearables such as head-mounted displays or smart glasses. Though many people are familiar with simple AR entertainment applications, AR is being applied in far more consequential ways in both consumer and business-to-business settings. For example, AR "heads-up" displays that put navigation, collision warning, and other information directly in the driver's line of sight are now available in dozens of car models. Wearable AR devices for factory workers that superimpose production-assembly or service instructions are being piloted at a number of companies. AR is supplementing or replacing traditional manuals and training methods at an ever-faster pace.

More broadly, AR enables a new information-delivery paradigm, which the authors believe will have a profound impact on how data is structured, managed, and delivered on the internet. By superimposing digital information directly on real objects or environments, AR allows people to process the physical and digital simultaneously, eliminating the need to mentally bridge the two. That improves our ability to rapidly and accurately absorb information, make decisions and execute required tasks quickly and efficiently.

In Brief (cont.)...

Council in the near future.

- ◆ Chinese drug manufacturer **Zhebei Pharmaceutical** resumed supplying *Mercaptopurine*, the main medication in the treatment of lymphocytic leukemia in children according to the news source *Zhejiang Online*. Production has been halted by five of the Chinese manufacturers due to the small market size, cost of ingredients and its inflexible price cap. Zhebei halted production temporarily last March due to a production line upgrade. The new production line was approved on November 24th and production resumed immediately.

- ◆ During the period of April-September, the four largest Japanese drug wholesalers reported combined sales of ¥3,727,388 million (US\$33 billion), down 0.2% year over year. According to **Crecon Research and Consulting**, ethical drug sales were down 1.1% during April-September, but the wholesalers' combined sales did not decline as sharply. The downturn in performance can be partially attributed to the weakening of sales of hepatitis C drugs.

(Sources: China Daily, Company Press Releases, Drug Store News, Financial Times, and Pharma Japan)