

Walmart vs. Amazon vs. CVS/Aetna in the U.S. Healthcare Market

(Sources: Articles by Bertha Coombs, a reporter for CNBC)

Walmart, the U.S.'s biggest employer, is trying to redesign how U.S. healthcare works. It's one of the few companies that has the power to succeed, according to CNBC.

The retailer has been having early-stage talks with Humana about strengthening their partnership, which could also entail an acquisition of the insurer, sources familiar with the situation told CNBC. For Walmart, a deal to buy Humana would not come cheap: The health insurer had a recent market valuation of US\$37 billion. Aetna's failed 2015 acquisition of Humana was valued at US\$54 billion. "Humana is potentially an attractive asset for Walmart as it would help diversify its revenue stream," a Cantor Fitzgerald health insurance analyst wrote in a recent report, noting that the retailer and insurer already partner on a co-branded Medicare prescription drug plan.

Walmart also approached online pharmacy start-up PillPack to acquire it for just under US\$1 billion. These discussions are still early but point to an ambitious vision in healthcare to offer services and potentially even take on risk for a large patient population, including lower-income Americans and seniors.

Walmart's moves come just weeks after three megacompanies - Amazon, Berkshire Hathaway and J.P. Morgan - announced joint plans to improve the healthcare experience for their 1.3 million employees. Walmart employs 2.3 million people. And it touches millions of Americans through its online marketplace and retail stores, where it sells everything from food to prescription medicines. "Everyone in the country is talking about Amazon and its partners changing the landscape of self-insured, large employers," said Trevor Price, CEO of the health services firm Oxeon Partners, who closely follows Walmart. "But the company that has the biggest opportunity to change landscape of healthcare, given all the Americans that walk through the door every week, is Walmart."

Walmart employees and customers come from all demographic groups, including the lower-income population that accounts for the vast majority of the nation's health costs. This gives Walmart the potential to make a real difference.

Walmart has access to the food consumption, medical data and shopping patterns of Americans from all social classes. To cater to these diverse groups, Walmart has been ramping up its health offerings, from pharmacy to care delivery, all with a focus on affordability. The company offers a list of prescription drugs that it sells for US\$4, no insurance required. That service alone, the company claims, has saved its customers more than US\$3 billion since it was launched in 2006

It has attempted to build on that over the years by offering access to medical care - with mixed success. Last summer, it started offering lab testing services in some Florida and Texas

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In Brief...

- ◆ **Takeda Pharmaceutical** (Japan) is considering a possible takeover of London-listed **Shire Plc**. In a statement, Takeda said that it is "considering making an approach to Shire regarding a possible offer for the company." The discussions are still in preliminary stages and as of March 28th, the board of Shire had not been approached. Reasons for the takeover by Takeda would most likely be to expand its core therapeutic areas of oncology, GI and neuroscience.

- ◆ U.S. pharmaceutical manufacturer **Mylan** will acquire the global marketing rights to Israeli manufacturer **Mapi Pharma's GA Depot**, a long-acting *Glatiramer Acetate* product used in the treatment of relapsing-remitting multiple sclerosis. Mylan President, Rajiv Malik, commented "Improving the lives of MS patients around the world is one of Mylan's primary goals. We recognize that medication convenience is very important to the MS community, and we believe that *GA Depot*, once approved, will provide an important and welcome treatment option." It is estimated that roughly 2.3 million individuals suffer from MS worldwide.

- ◆ **Zuellig Group** has acquired **Temasak Holdings' 20** percent take in Asian drug distributor **Zuellig Pharma**. Zuellig Group, a majority stakeholder in Zuellig Pharma announced the acquisition, ending the Singaporean fund's exit from the decade-old investment. "The consolidation of Zuellig Group's interest in Zuellig Pharma recognizes the commitment of management to Zuellig Pharma's strategy and will not result in any changes to management or to Zuellig Pharma's enduring and exceptional commitment to its customers and clients." The group said in a statement. Financial details of the acquisition were not disclosed.

- ◆ U.S. wholesaler and distributor **AmerisourceBergen Corporation's** charitable foundation and **Thomas Jefferson**

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McKesson Takes Another Proactive Step against the Opioid Epidemic

(Sources: McKesson Press Release and an article by Michael Johnsen in Drug Store News)

McKesson pledged US\$100 million toward combating the opioid epidemic in the U.S. through the formation of a Foundation dedicated to addressing the crisis.

"At McKesson, we are deeply concerned by the impact the opioid epidemic is having on families and communities across our nation. That is why we are taking new steps to help combat the epidemic," John Hammergren, chairman and CEO McKesson, said. "These new initiatives will provide additional tools to fight abuse, combat overprescribing and increase doctor and patient education. We believe our investment and continued actions can

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Walmart (cont.)...

locations. And it rolled out primary-care clinics that operate inside Walmart stores. For its employees with complex needs like high-risk surgeries, the company has been adding facilities like Mayo Clinic to its network in a "Centers of Excellence" program.

One discrepancy, as Oxeon's Price points out, is that Walmart's business relies on selling everything consumers want, including unhealthy items like processed food and cigarettes. That could clash with a bigger move into health services. In contrast, CVS Health – a retail chain pharmacy and PBM, among other healthcare services - stopped selling cigarettes as part of its own transformation into healthcare-centered company. Last year, CVS announced plans to acquire insurance company, Aetna, for US\$69 billion. CVS has 9,800 pharmacies, their PBM serves 94 million plan members and they have 1,100 MinuteClinics in their pharmacies.

Still, as Walmart further invests in its grocery business, there is opportunity to tie in its increasing focus on both industries. Health experts agree that Walmart is the one to watch. "Outside of specialty drugs, Walmart is quietly the most affordable pharmacy in the country, said Thomas Cassels, a health researcher and consultant. "And by contracting directly with providers across the country they are closing in on offering the most affordable medical services and episodes as well."

McKesson (cont.)...

have a positive impact, particularly when done in partnership with others in the healthcare industry, as well as with government policymakers, administrators, and regulators."

The new non-profit organization is expected to focus on education for patients, caregivers and providers, addressing key policy issues and increasing access to lifesaving treatments, such as opioid overdose reversal medications. The Foundation's work will be overseen by a board comprised of a majority of outside directors including healthcare and subject matter experts. Details on leadership, strategic priorities and criteria for giving will be announced in the coming months. This new Foundation is distinct from McKesson's existing nonprofit foundation whose key focus is on supporting better care for cancer patients.

McKesson outlined five key areas that will form the Foundation's work with pharmacies, policymakers, prescribers and manufacturers:

1) *Expedite development of a national prescription safety-alert system.* To identify patients who are at risk for opioid overuse, abuse, addiction or misuse, the Foundation will invest in the development of a national system that uses prescription information to provide real-time alerts to pharmacists and, ultimately, prescribers, indicating when additional patient information may be needed before dispensing opioids.

2) *Facilitate e-prescribing.* To reduce fraudulent or counterfeit prescriptions, during 2019 McKesson will stop selling opioids to customers who cannot accept e-prescribing of controlled substances and will engage with those customers who may need to make this transition. McKesson continues to advocate that Congress require mandatory e-prescribing of opioids;

3) *Support limited-dose packaging.* To make it easier for doctors to prescribe and pharmacists to dispense in smaller doses, and to reduce potential for unused product, the Foundation will proactively engage with all opioid manufacturing partners this

calendar year to develop plans for limited-dose packaging;

4) *Fast-track distribution of new, non-opioid pain medications.* To improve access to medicines, the Foundation will work with manufacturing partners to facilitate immediate availability on a national basis of non-opioid pain medication once approved by FDA; and,

5) *Provide complimentary pharmacist training on opioid overdose reversal medications.* The Foundation will offer pharmacists complimentary training by independent medical experts on how to administer medications such as naloxone.

In addition, the Foundation will develop and make available an annual report that examines the progress of these Foundation initiatives with the purpose of sharing learnings and insights with the public.

A Snapshot of the Japanese Pharmaceutical Market

(Sources: Pharma Japan; data provided by drug wholesalers that have contracts with Encise, a subsidiary of Crecon Research & Consulting; market research firm Fuji Keizai; IQVIA data)

Ethical drug sales in Japan were 9,910 billion yen (US\$92.2 billion) in FY2017 (April 2017-March 2018) on an NHI price basis, up 0.97% over the previous year, according to preliminary data in a monthly report released by market research firm Encise.

In March alone, ethical drug sales stood at a preliminary 806 billion yen (US\$7.49 billion), a 4.9% decline year on year. AbbVie's hepatitis C drug *Maviret* topped the sales ranking in the month with 14.5 billion yen (US\$134.7 million), followed by Ono Pharmaceutical's PD-1 inhibitor *Opdivo* with 9.7 billion yen (US\$90.1 million) and Chugai Pharmaceutical's cancer mainstay *Avastin* with 8.9 billion yen (US\$82.7 million). By company, Takeda Pharmaceutical had the highest sales of 52.2 billion yen (US\$485 million) in March, trailed by Daiichi Sankyo with 47 billion yen (US\$436.7 million), and Chugai with 36.1 billion yen (US\$335.4 million).

The Japanese generic market is expected to reach 1,223.3 billion yen (US\$11.4 billion), on a drug maker shipment basis, in 2021, up 26.9% from the 964 billion yen (US\$8.96 billion) projected for 2017, with biosimilars likely to score a 4.2-fold leap to 64.6 billion yen, according to market research firm Fuji Keizai.

Reimbursement incentives for healthcare providers' generic switches, which were increased in the FY2018 fee schedule revision, would drive the expansion in the generic market in Japan, along with other policy measures, Fuji Keizai said. In 2017, the generic market for hypertension drugs is forecast at 143.3 billion yen (US\$1.33 billion), and for upper gastrointestinal (GI) disease treatments at 91 billion yen (US\$845.5 million). These numbers will likely grow to 206.3 billion yen (US\$1.9 billion), and 94.2 billion yen (US\$875.2 million) in 2021, respectively. In the hypertension space, Fuji Keizai predicts significant generic inroads for *Olmetec* and *Micardis*, while also expecting generic replacements to accelerate in the upper GI disease arena. With a generic entry anticipated for *Nexium* around 2020, this would be a catalyst to further drive the generic market expansion, it said.

Meanwhile, 160.5 billion yen (US\$1.49 billion) is projected for the authorized generic market, whose 2017 outlook was put at 72.7 billion yen (US\$675.5 million). In the biosimilar

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Japanese Market (cont.)...

market, Japan's first *Rituxan* follow-on went on sale in January. With approval already granted to the country's first *Enbrel* and *Herceptin* biosimilars in January and March, respectively, Fuji Keizai expects their launch in 2018.

The generic use rate in Japan in October-December 2017 stood at a preliminary 68.9% on a volume basis, up 0.1 percentage point over the previous quarter, according to the Japan Generic Medicines Association (JGA). The generic use rate basically represents the proportion of generics versus all listed drugs excluding products without generic substitutes. The quarterly figure was calculated based on IQVIA data as well as data from major JGA member companies.

In Brief (cont.)...

University will collaborate in the fight against opioids. AmerisourceBergen donated US\$50,000 to the University to sponsor its second annual *Substance Use Disorders Symposium* taking place on May 29, 2018 at the university's City Center campus. The symposium will bring together community representatives and lawmakers to discuss a coordinated approach to curb the opioid crisis across the city.

- ◆ *ExpressCoverage*, a new platform resulting from the partnering of **McKesson Specialty Health** (a division of McKesson Corporation) and **CoverMyMeds** (part of **McKesson Rx Technology Solutions**) was launched. The platform connects patients, providers, payers and the life science industry to an effort to facilitate patient access to medicines and adherence for improved outcomes by providing a seamless support system, thus reducing prescription abandonment which results in better care delivery.

- ◆ **Kyorin Pharmaceutical** (Japan) was granted exclusive rights to develop and commercialize *SK-1404*, a therapeutic currently being developed by **Sanwa Kagaku Kenkyusho** for the treatment of nocturia. The rights would cover Japan and certain Asian markets, including Hong Kong, Taiwan and 10 ASEAN member states. Kyorin hopes to extend its line of products in the field of urology. Sanwa Kagaku looks to accelerate the drug's development while cutting back on R&D costs.

- ◆ This spring, Japanese pharmaceutical wholesaler **Alfresa Corporation** will institute a full-scale operation of a cost-stimulation system aimed at raising awareness for the need of price negotiations based on economic principles related to the cost of goods sold among its sales reps. The system will break down costs of regular and irregular deliveries and the cost of product returns by customers. In-house training for sales employees began last year. In addition, Alfresa president, *Koichi Masunaga*, said that since approximately 1,000 of the company's sales reps will be certified as "medical management specialist" the company intends to make the most of their expertise by establishing a new business model.

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

IFPW Members Meet in NYC at the IFPW 2018 CEO Roundtable

The Pierre Hotel, overlooking Central Park in midtown Manhattan, was the site of the 2018 CEO Roundtable, where IFPW wholesaler and manufacturer members gathered for timely and insightful perspectives from some of pharma's industry leaders.

Attendees met at the Welcome Reception and Dinner the evening of April 9th where friendships were renewed and new business acquaintances were forged. Guests were treated to a three-course dinner in the Pierre Hotel's Wedgewood Salon after a warm welcome and opening remarks by IFPW Chairman, Steve Collis (Chairman, President and CEO of AmerisourceBergen Corporation.)

The morning session was opened by IFPW President Mark Parrish, followed by a full day of presentations and discussion on a wide range of subjects. Perennial favorites, Doug Long (Vice President of Industry Relations) and Per Troein (Vice President of Strategic Alliances) of IQVIA (formerly QuintilesIMS) did a deep dive into the current state of the global wholesale distribution market and the direction the market is headed over the next several years. Robert Stewart, CEO of Amneal Pharmaceuticals, gave a thoughtful presentation on his perspectives of the manufacturer/wholesaler relationship, and Mr Ken Suzuki (IFPW Vice-Chairman and Chairman of VITAL-NET Inc.) and Rafael Teixeira Vice President and General Manager of Brazilian Operations at Profarma/AmerisourceBergen Specialty Group discussed in-depth the wholesale distribution market in both Asia and Latin America.

After lunch, Andrew Forman and Todd Skrinar of EY talked about the compelling effect of Big Data on the pharmaceutical industry, and what to expect from these effects in the future. The day wrapped up with a detailed panel discussion on specialty drugs and biosimilars, a follow-up to a panel discussion on the same topic at the 2016 CEO Roundtable. Among the panelists was Mostafa Kamal, CEO of MagellanRx Management; Nitin Sahney, CEO of Pharmacord; Doug Tsao, Healthcare Sector Analyst at Barclays; Rick Lozano Vice President of Biosimilars and Integrated Business Development at AmerisourceBergen; and, Per Troein of IQVIA. The panel was moderated by Doug Long of IQVIA. After a spirited Q&A session, Mark Parrish, IFPW President, closed the meeting.

IFPW and its staff would like to personally thank all of the speakers who took time from their busy schedule to speak at this year's meeting.

Next year's IFPW Roundtable will be held once again at the Corinthia Hotel in London. Exact dates will be posted very soon, so watch for your "save the date" notification in your email!



**Registration is Open for IFPW's
2018 General Membership Meeting
in Washington D.C. October 10th - 12th!**

Mark your calendar and take advantage
of substantial early bird discounts! Visit
www.ifpw.com/meetings/2018GMM/regonline.htm
to register.