

## Relying on Distributors To Navigate Through Natural Disasters

(Source: An article by Erin Horvath, President, Distribution Services, AmerisourceBergen Corporation)

Pharmaceutical distributors have long been considered a critical key to ensuring patient access to lifesaving medications and products every day. As natural disasters and extreme weather events such as hurricanes, heavy floods, tornadoes and fires increase in frequency year-over-year, the role of the pharmaceutical distributor is elevated further in order to protect the supply chain and create contingency plans for the efficient and timely delivery of medications. Ensuring the health care supply chain operates consistently and without disruption during these times of need requires concerted coordination across the health care industry.

As connectors between those who create and those who prescribe and dispense medications, distributors are in a unique role that requires them to maintain open lines of communication with manufacturers and sites of care, such as pharmacies, hospitals or physician practices. When facing a natural disaster, that responsibility becomes even more critical to prevent any disruption of services and supplies. Distributors begin collaborating with the provider's customers who reside within the expected path before the disaster even hits to assess the medication needs of their communities, provide advanced ordering options, and order additional products.

Additionally, distributors make similar connections with local government agencies prior to a storm's arrival to begin planning and coordinating alternative routes for future deliveries. This ensures that distributors can identify the best travel routes in a timely manner once a known or anticipated disaster occurs.

One of the largest barriers to patient care during a natural disaster, especially considering the steady rise in temperature-controlled therapies, are refrigeration requirements. In fact, it

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## In Brief...

- ♦ **Walgreens Boots Alliance** reported earnings of US\$1.37 per share and quarterly sales of US\$34.34 billion. Guidance for fiscal growth in 2020 remains relatively flat. Walgreens executives pointed to the quarterly fall in earnings because of unexpectedly weak prescription drug volume in the U.S., where prescriptions filled in comparable stores rose 2.8% rather than 4% as forecasted. "It has been a slow start to the financial year with a competitive U.S. pharmacy environment and soft trading conditions in the U.K.," Walgreens CEO *Stefano Pessina* told investors. Analysts attributed Walgreens' softer-than-expected pharmacy sales to a loss of access to some Medicaid networks and slow performance from Aetna's Medicare members.

- ♦ German pharma manufacturer **Boehringer-Ingelheim** has become the first CDMO to manufacture an approved drug under China's Marketing Authorization Holder (MAH) system. It accomplished this with the production of the monoclonal antibody *tislelizumab*, **BeiGene's** anti-PD-1 checkpoint inhibitor, which was recently approved by China. China has recently lightened its rules requiring biologic drug developers to own their own manufacturing facilities. Based on China's action, Boehringer built a plant there to do contract work under a pilot project, with big payoffs for the company.

- ♦ **AmerisourceBergen Corporation** announced that its Board of Directors elected *Dennis M. Nally*, 67, as a new independent director, effective January 1, 2020. With the election of Mr. Nally, the AmerisourceBergen Board of Directors increased

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## Japan to Shed 4.38% in Spending in 2020 Through Drug Price Revision

(Source: Pharma Japan)

The drug price revision rate for the FY2020 price revision in April of 2020 will be -4.38% on a drug spending basis, the Minister of Health, Labor and Welfare (MHLW) stated on December 20, 2019.

Previously on December 17, 2019, Japanese health and finance ministers agreed on a drug price revision rate of -0.99% for the FY2020 revision in April of 2020, which works out to be a reduction of roughly ¥110 billion (US\$10.1 billion) on a central government spending basis. This figure is described on a medical expenditure basis, meaning that Japan's overall medical spending was used as the denominator. It is the first time that the MHLW disclosed the percentage using the total drug spending as the denominator.

Central government spending accounts for about one-fourth of medical expenditures, with the rest covered by municipal coffers, insurance and copays. The reduction will translate into roughly

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## Japan (cont.)...

¥440 billion (US\$4.02 billion) on a total medical expenditure basis (total drug spending.).

On a drug spending basis, market price-based cuts total -1.98% (-0.43% on a medical expenditure basis), and -0.05% (-0.01%) relates to savings through pricing reforms.

The ministers agreed on a 0.55% upward revision for reimbursement fees for physicians, dentists and pharmacists. Of this increase, 0.08% will go towards measures for doctors' workstyle reforms at acute hospitals. Excluding that special quota, the breakdown of 0.47% is; +0.53% (physicians), +0.59% (dentists); and +0.16% (pharmacists). Medical material/device spending will be revised down by 0.02% in central government spending.

## Distributors (cont.)...

is predicted that the cold chain industry will increase by 65% through 2020. Distributors work with their partners with this in mind to prepare contingency plans to ensure these costly and highly sensitive products are not compromised. For example, at AmerisourceBergen, refrigerator trailers and on-site backup generators are leveraged at distribution centers so that the efficacy and viability of medicines is guaranteed in the event of a long-term power outage.

Inaccessible or blocked roads as a result of flooding, debris or stalled traffic also present major obstacles in getting medical supplies to patients in need. Distributors proactively plan for alternative transportation methods and delivery routes to avoid potential delays. Ground teams in impacted areas assess priority levels and work with state officials to obtain necessary travel authorizations for roads that are closed or restricted to the general public due to any declared states of emergency. Distributors also use local couriers as a means to make deliveries of essential products to pharmacies, hospitals and other health care providers.

The work of a distributor doesn't stop once the event passes since residual effects on a community can last for days, weeks, or even months. Distributors must ensure warehouses are fully operational and able to execute outbound fulfillments to get critical medications and supplies to patients in the aftermath of a storm. As mentioned, hospital and pharmacy locations are likely to experience a loss of refrigeration, limiting the availability of cold chain supplies in the impacted area. Distributors must develop comprehensive plans to delivery urgent cold chain products as quickly as possible, often working with nearby distribution centers. With so much partnership across the industry, it is not uncommon for a distributor to service a competitor's customers or carry their product on a truck that is moving in the right direction. They can even go a step further to leverage their distribution centers for more than just pharmaceutical shipments following a storm, including housing emergency supplies such as food, water and clothing. They can even provide guest wireless internet access to ensure providers and pharmacies without internet access can still order the medications their patients need.

Disaster preparedness and relief require a thoughtful and synchronized effort from all involved stakeholders to successfully support communities in the affected regions. Behind the scenes, there is a vast network of organizations working around the clock to minimize supply chain disruptions and maintain patient

access to pharmaceuticals. Distributors play a vital role in these efforts – not only coordinating with manufacturers, providers and location organizations to ensure patients get their treatments when and where they need them, but also helping to restore a sense of normalcy following a devastating event.

## In Brief (cont.)...

from nine to ten members, eight of whom are independent. Mr. Nally is the former Chairman of PricewaterhouseCoopers (PwC), having served two terms in that role until his retirement from PwC in 2016. During his 42-year career with PwC, Mr. Nally served in a number of senior management and executive positions, including Chairman from 2009 to 2016, and Senior Partner and Chairman, United States, from 2002 to 2009. has also served as a director of Morgan Stanley since 2016.

- ◆ According to **SSR Health**, data showed that list prices for brand-name drugs rose by about 5% in 2019. However, net prices (after rebates and discounts) decreased by -3.1%, and drug makers discounted their brand-name drug list prices by an average of 45%.

- ◆ In a new report by the **International Diabetes Federation**, the human insulin market will reach US\$27.71 billion by 2026. According to the report, approximately 425 million people across the globe suffer from diabetes. This rising prevalence is propelling growth in the market. Geographically, the North American market maintains its dominance in the global human insulin market and was worth US\$10.42 billion in 2018.

- ◆ The **U.S. Food and Drug Administration** has approved a record 52 new drugs in 2019 with the big winner being **Novartis**. Six of their new drug approvals includes four prospective blockbusters in wide-ranging areas of treatment. Among those Novartis drugs approved are: *Mayzent*, a landmark therapy for multiple sclerosis; *Piqray*, used in the treatment of breast cancer; *Beovu*, a new and potential disruptive challenger to Regeneron's rival drug; and *Zolgensma*, a gene therapy drug for SMA.

- ◆ Health ministers from Japan, China and South Korea have issued a joint statement on the prevention and control of infectious diseases as well as universal health coverage and aging at a tripartite meeting in Seoul on December 14th and 15th. The statement is aimed at strengthening efforts towards more cooperation between the three countries.

- ◆ Japanese generic drug manufacturer **Towa Pharmaceutical** announced that it will acquire the generic division of Spanish pharma group **Esteve** for US\$35.54 million in an effort to make a move into the U.S. and European markets. The all cash deal is expected to close in January.

- ◆ **Regeneron** is preparing for the restructuring of its partnership with **Sanofi** by eliminating positions within the company starting in February. Sanofi and Regeneron announced that they would restructure their 12-year partnership into a royalty-based agreement for *Praluent* and *Kevzara*, with Regeneron taking over U.S. rights for *Praluent*, and Sanofi taking global rights for *Kevzara*.

(Sources: *Benzinga, Drug Channels, Fierce Biotech, Fierce Pharma, Endpoint News, Fortune Business Insights, MarketWatch, Pharma Japan and Yahoo Finance*)