

Finding Common Ground in Dealing with Disruption and Industry Perception

(Sources: An article by FiercePharma in Partnership with AmerisourceBergen, and an article by Jessica Merrill for Scrip)

As we move into the final quarter of 2020, the only thing that has proven to be certain is the uncertainty surrounding COVID-19. The economic downturn triggered by the global pandemic, coupled with rancorous political races and infighting, has left most of the world's population confused and anxious about what may be next on the horizon.

Yet, despite these challenging and uncertain times, COVID-19 has galvanized the relationship between policymakers, drug manufacturers and distributors. The pharmaceutical industry has shown amazing resilience and ingenuity as all sides work together to tackle shortage risks brought on by impending demand surges rippling through the supply chain.

"It was an "Aha!" moment," said Brad Tallamy, Senior Director of Government Affairs for AmerisourceBergen, "Before COVID-19, you might have had a dozen policymakers who realized that about 70% of APIs (active pharmaceutical ingredients) and about 50% of finished generics were manufactured overseas. Suddenly COVID-19 hits the United States and people are asking "why aren't more medications made here...strategic national stockpile, what's that?"

"From March 12 – the day the Coronavirus was declared a global pandemic – to March 15 – when stay-at-home orders started rolling out across the country – we saw a tremendous ordering surge, especially as pharmacies looked to fill 90-day prescriptions for their patients," said David Senior, Senior Vice President of Market Economics at AmerisourceBergen. "We went from distributing around 4 million products on March 12 to nearly 6.5 million by

(continued on page 2)

In Brief...

- ♦ **McKesson Corporation** announced second quarter earnings, with revenues of US\$60.8 billion, a 6% increase year-over-year (driven by growth in the U.S. pharmaceutical segment). Adjusted earning per diluted share was US\$4.80, an increase of 33%. "The dedication and execution of our teams continue to deliver outstanding results, responding to the evolving needs of our customers," said *Brian Tyler*, McKesson's CEO. "Our strong second-quarter earnings results reflect the breadth of McKesson's differentiated portfolio and further improvements in volumes across the business." Additionally, McKesson completed the joint venture of its German wholesale business with **Walgreens Boots Alliance**.
- ♦ **AmerisourceBergen Corporation (ABC)** today reported that in its fiscal year 2020 fourth quarter ended September 30, 2020, revenue increased 7.9 percent to US\$49.2 billion.

(continued on page 2)

IFPMA Applauds APEC for Trailblazing Efforts to Demonstrate Return on Ethics for SMEs Through Vision 2025

(Source: IFPMA Press Release)

IFPMA joined hundreds of diverse stakeholders from more than 30 economies spanning the Asia-Pacific and beyond in a shared commitment to solidify and grow the world's largest public-private, multi-sectoral partnership in the advancement of business ethics in the medical device and biopharmaceutical sectors, through *Vision 2025*. This roadmap builds on a decade of work in the APEC region, resulting in the adoption of codes of ethics for industry bodies representing nearly 20,000 enterprises of every size across the APEC region, including 10 economies where they previously did not exist.

Vision 2025 acknowledges that more needs to be done in the next five years to achieve regional alignment and implementation in ethical business practices while advancing the best interest and health of patients. These efforts are also crucial to COVID-19 response and recovery.

IFPMA members are firmly behind this roadmap, launched at the 2020 APEC Business Ethics for SMEs Virtual Forum.

"APEC is at the forefront of driving the most essential value in our healthcare systems today, and that's integrity," said David Ricks, President of the IFPMA and Chairman and CEO of Eli Lilly and Company. "We make medicines that improve people's health or sustain their life. Trust is the bedrock of the modern pharmaceutical industry. Integrity and trust in our enterprise come first in everything that we do", he added.

To read this press release in its entirety, please visit <https://www.ifpma.org/resource-centre/ifpma-applauds-apec-for-trailblazing-efforts-to-demonstrate-return-on-ethics-for-smes-through-vision-2025/>

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Disruption and Perception (cont.)...

March 15, a nearly 50% increase in a matter of days. It definitely pressure-tested the system.”

Incredibly, meetings on Capitol Hill that used to take months to schedule were now happening with a phone call. Well-known thought leaders in the healthcare industry (most recently recognized for their insight on the rebate reform rule) along with AmerisourceBergen’s market economics and policy experts were offering insight and solutions to both sides of the political aisle. The group estimates that they attended more than 100 virtual meetings with Congressional leaders and their staffs.

Initial requests revolved around supply chain logistics information concerning medication shortages and personal protection equipment. This led to addressing the financial crush on front-line businesses such as pharmacies, clinics and provider offices that were experiencing lower patient visits brought about by lockdowns from coast to coast in the U.S.

Policymakers have come together to address appropriate needs through relief packages as well as addressing or amending federal healthcare programs, even if only for the short-term. Additionally, they have taken a keen interest in improving the supply chain for the future. The U.S. Congress recently introduced the Essential Medicines Strategic Stockpiling Act aimed at establishing a new stockpile of essential drugs and equipment that addresses both demand and supply-driven shortage issues. This enormous private/public effort will be integral in ensuring the availability of these essential products and millions of doses of vaccines and other therapeutic treatments.

One of the less-discussed benefits in all of this is the rare opportunity for the pharmaceutical industry to reset its reputation in the eyes of the public as the entire world watches industry leaders navigate this rough terrain of the pandemic. Novartis AG CEO, Vas Narasimhan, referred to it as a “remarkable, perhaps one-in-a-generation opportunity.” Industry leaders are cautiously optimistic that pharma’s response to COVID-19 could create an inflection point regarding public interaction.

The Pharmaceutical Manufacturers Association (PhRMA) believes that a reminder to government leaders could be helpful while the U.S. is waging war over high drug prices. Currently various policy proposals have been the focus and would have lasting negative outcomes for the pharma industry.

“I hope that through this process people have an appreciation for the fact that it isn’t a given that companies can come forward and do this kind of work, but it really depends on the system that we have in place in the U.S. today and it is a fragile system,” said PhRMA chief operating officer, Lori Reilly.

“The fact that we have a policy dynamic in place in the U.S. that allows companies to go at risk, to take the kinds of necessary proactive steps in the case of the global pandemic or multitude of other conditions depends upon the ability to have a public policy environment that incentivizes innovation and entrepreneurship and risk taking,” she said.

The industry is arguing that now is not the time to distract drug makers from the acute challenge at hand – ending the global pandemic. Industry would particularly like to diminish political support for some of the harsher drug pricing policies that have been floated, such as the current administrations’s “most-favored-nation” order which would limit the amount Medicare pays for

Part B and Part D based on global benchmarks.

Changing the public dialogue around pharmaceuticals from prices and copays to science and innovation has been a driving force for the industry for several years now. Recent studies show that public perception of the industry has improved this year and shows healthcare companies gaining on positive perception and goodwill. And while winning over the court of public opinion will not be easy long-term, any step in a positive direction is a win for the industry as it works toward a longer recovery rooted in public trust, better transparency in safety and efficacy of new products, and not appearing to be cavalier or greedy when it comes to selling products.

In Brief (cont.)...

Revenue increased 5.7 percent to US\$189.9 billion for the fiscal year. “AmerisourceBergen delivered strong revenue and adjusted diluted EPS growth in fiscal year 2020. Working in an unprecedented environment, our associates rallied around our purpose of being united in our responsibility to create healthier futures,” said *Steven Collis*, Chairman, President and CEO of ABC.

- ◆ Brazilian wholesaler **Profarma** announced financial results for its 3rd quarter, with gross revenue increasing year-over-year by 4.4% to R\$1.5 billion (US\$270 million) and a net profit of R\$29.4 million (US\$5.29 million), its highest since 2012. Its distribution revenue was up 6.6% year-over-year to R\$1.4 billion (US\$25 million) with net income YTD20 of R\$40.6 million (US\$7.3 million) versus a loss of R\$8.5 million (US\$1.53 million) year-over-year, representing an increase of 377.7%.

- ◆ **Cardinal Health** reported first quarter FY2021 revenues of US\$39.1 billion, an increase of 5% from the first quarter 2020, and non-GAAP operating earnings of \$618 million, an increase of 7% year-over-year. “Our first quarter results and improved outlook for the year demonstrate the resilience of our business model,” said *Mike Kaufmann*, CEO of Cardinal Health. “We delivered a strong performance in both segments due to progress against our growth initiatives and disciplined expense management.”

- ◆ **Gilead Sciences’ Veklury (remdesivir)** received full approval from the **U.S. Food and Drug Administration** for the treatment of hospitalized patients with COVID-19. The antiviral was one of the first options to become available, along with the steroid dexamethasone. The approval was based on the Phase III ACTT-1 trial conducted by the **US National Institute of Allergy and Infectious Disease**, which showed treatment with *Veklury* resulted in faster recovery time compared to placebo.

- ◆ **Walgreens** is expanding the age range for its COVID-19 testing at all of its testing facilities. The company is now offering COVID-19 tests for those three years and older, expanding from its previous testing cutoff of 18 years and older. Meanwhile, **CVS Health** announced plans to expand its COVID-19 testing services at select CVS Pharmacy locations to include rapid-result testing at nearly 1,000 sites by the end of the year, and **Kroger Health** is rolling out COVID-19 antibody testing at its Little Clinic pharmacy locations in California and Michigan.

(Sources: BusinessWire, Company Press Releases, Drug Store News, Endpoints News, FiercePharma, and Scrip)