



IFPW's 2018 General Membership Meeting Delivers An Outstanding Business Program

The business program of IFPW's 2018 General Membership Meeting, which was held on October 11-12 in Washington D.C., contained 13 hours of the latest and most relevant content, ranging from global trends to companies functioning with a purpose. The program, in combination with a well-represented exhibitor presence, served as valuable resources for future strategic planning, all under the leadership of IFPW's chairman, Steve Collis, CEO of AmerisourceBergen. The following is a recap of the meeting's business sessions.

Global Industry Review. Doug Long (IQVIA) and Per Troein (IQVIA) opened the business program, presenting global trends, with a focus on events impacting the international pharmaceutical wholesale/distribution sector of the industry. The challenges and changes include biosimilar challenges in the U.S. market and internationally, new pricing dynamics within the brand and generic spaces, horizontal and vertical integration, possible disruptive activities - such as Amazon entering the healthcare space, US hospitals forming a generics company focused on items in short supply, the combination of Artificial Intelligence and a Microsoft deployment in China, and more.

A few statistics shared included that annual global sales, as of June 2018, totaled US\$995 billion with a growth rate of 7.2%. The U.S. had a market share of 44.9%, followed by China with 8.7% and Japan with 7.5%. Brazil had the fastest growth rate of 12.5%. Traditional medicines had very little value growth, but sustained volume growth. Specialty, consisting of several segments, had sustained growth of just under 10%. The European market grew to US\$211 billion, growing about 5%. Italy and Germany experienced the greatest growth with around 7% and 6% respectively. It is estimated that cost-containment strategies will restrict European growth in the future. Latin America's annual sales were US\$33 billion with an overall negative growth rate of just under 40%, led by an even steeper decline in Venezuela, despite significant positive growth in Brazil, Argentina and Mexico.

The Long/Troein presentation, always a crowd favorite with up to the minute data, also addressed the changing face of innovation, the new reality of generics, biosimilars and the changes expected with specialty pharmaceuticals having 3 distribution channels, net pricing resulting from competition, and e-commerce. It was also reemphasized that pharmaceutical growth around the world is closely linked to a country's GDP.

Improving the Efficiency and Value of U.S. Healthcare System.

Susan DeVore, CEO of Premier Inc. - an alliance of approximately 4,000 U.S. hospitals and health systems and approximately 165,000 other providers and organizations in the U.S. - discussed increases in the number of Accountable Care Organizations within the U.S. market (a group of coordinated health care providers form an ACO, which then provides care to a group of patients. The focus is on achieving scale, price transparency and physician alignment). She also articulated Amazon's ground floor attempts at understanding

the U.S. hospital market through discussions with hospitals and buying groups.

DeVore identified 6 trends within the U.S. healthcare system and what these trends mean for pharma distributors, including: 1) the removal of healthcare waste, such as US\$210 billion in unnecessary services, US\$190 billion in administrative costs, and US\$130 billion in inefficient delivered services; 2) The Growth of ACOs, in the consolidation of healthcare services, increasing in number from 326 in 2010 to 923 in 2017; 3) The race to consolidate physician practices with hospital healthcare systems now accounting for the employment of 49% of all doctors; 4) The merging of the healthcare market led by (a) Health Systems: e.g. Anthem's merger with Auroa Healthcare and Advocate Healthcare; (b) Clinical Sector: e.g. the merger of CVS and Aetna; and, (c) Payer Entities: e.g. the joint venture of JP Morgan Chase, Berkshire Hathaway and Amazon. 5) The consumer-directed healthcare with a focus on cost deductibles for health services; and, 6) The digital health revolution consisting, in part, of digital health apps, telemedicine, wearables, home diagnostics, web/patient portals, health sensors and more. These trends have several



Doug Long & Per Troein give their Global Industry Review

implications, including more centralized purchasing, continued pressure on drug costs, and greater leverage for larger players.

The Big 3 – Doing Business in a Large Consolidated Market.

John Hammergren (CEO of McKesson), Mike Kaufmann (CEO of Cardinal Health) and Steve Collis (CEO of AmerisourceBergen) discussed with IFPW President, Mark Parrish (session moderator), the challenges and strategies of managing large pharmaceutical distribution organizations in the U.S. market and beyond. The panel discussed industrial changes, challenges, talent acquisition and diversification, growth, investor relations and risks.

Some of the many take-aways from the panel were: the industry is moving towards more transparency and consolidation in the healthcare delivery system; technology and analytics will drive change; government regulations and affordability will remain key issues; margins do not support risks; education of investors, government and the public, with respect to the wholesaler's role and value in the supply chain, will be a continuous important

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Mark Parrish, Mike Kauffman, John Hammergren & Steve Collis

undertaking. The CEOs discussed the challenge that Amazon would have in entering pharmaceutical distribution given the significant value the sector has created over time and strong existing stakeholder relationships.

Manufacturer Key Notes – separate presentations were made by Heather Bresch (CEO Mylan) and Carol Lynch (President of Sandoz U.S. and Head of North America). The following are a few key points from their presentations:



Mark Parrish and Heather Bresch

- Biologics in the U.S. grew 56% from 2013 to 2017 with 2017 sales being US\$120.1 billion
- By 2020 it is estimated that biologics will represent 28% of global medicine spending
- There is a healthcare and patient shift towards consumerism, with prevention being a primary focus and patients taking ownership of own health
- There needs to be balance between innovation and access
- There is a need to find new ways to partner within the supply chain.

The Future of Global Healthcare Delivery. A panel discussed healthcare distribution trends around the world. The panelists were Junpei Cheng (China Association for Pharmaceutical Commerce - CAPC), Tom Vanmolkot (Zuellig Pharma), Juan Guerra (Walgreens Boots Alliance), Bob Mauch (AmerisourceBergen), Keisuke Nakakita (Nakakita Yakuhin) and Elias Salomon (Fármacos Nacionales) which were moderated by Doug Long (IQVIA). Some of the remarks included:

- There are a number of wholesaler issues in Japan, among them are: changes to the drug pricing system; an increase in sales taxes on drugs; developing e-commerce in reference to patient access; the establishment of regional healthcare systems.



Panelists for the Future of Healthcare Delivery Session

- In China there is consolidation of the 13,000 wholesalers and the 400,000 pharmacy retailers; changes in the hospital Rx system; the introduction of e-commerce via Alibaba, connecting 800,000 medical institutions and patients.
- In Southeast Asia, there is a growing aging population, an increase in diseases, and technology is being introduced in the market.
- In Mexico there are two distribution channels, one for government healthcare programs and the other for privately insured programs; medicine spending is 5-6% of GDP in the government channel and 3-5% of GDP in the private channel; only 4 national wholesalers remain in Mexico.
- In the U.S., the continuation of business service development; providing scale in payor negotiations; expanding e-commerce; deploying digital strategies, shifting from logistical to multi-service providers.
- Direct distribution in France is now greater than 20%.

The session highlighted that while the diversity among the international pharma distribution markets is noteworthy the basic functions of wholesalers remain very much the same.

The U.S. Opioid Issue. The U.S. opioid issue and the industry implications were addressed by panelists John Gray (CEO of Healthcare Distribution Alliance [HDA]), Doug Long (IQVIA), Per Troein (IQVIA) and moderated by IFPW's president, Mark Parrish. There has been an opioid-crisis in the U.S. since the 1990s, which began with frequent use of prescription medicines. The anticipated deaths in the U.S., due to overdosing, is expected to be 100,000 annually by 2025. The volume of prescriptions has been significant. For example, enough opioids were prescribed in 2016 to provide every American with 36 pills. Nevertheless, consumption per capita has decreased in the U.S. due to targeted initiatives. This issue is impacting pharmaceutical distributors in 3 ways: 1) Litigation (several states, cities and municipalities have filed lawsuits against distributors); 2) Media (adverse news coverage towards distributors with complete misunderstanding as to the role of wholesalers); and, 3) Legislation (e.g. Newly passed the Opioid Stewardship Act, which applies an additional tax on distributors of opioid products. HDA has launched a 3-pronged approach to counter this adverse movement. It includes clarifying the industry's role in the supply chain; advancing policy solutions; launching an education initiative with partners.

Discussion with the Nation's Largest Pharmacy Benefit Manager. Steve Collis (CEO of AmerisourceBergen and Chairman of IFPW) and Tim Wentworth (President and CEO of Express Scripts) discussed the recent US\$67 billion acquisition of

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Express Scripts by the insurance carrier, Cigna and the new role wholesalers will play in the changing healthcare market

Wentworth indicated that the Cigna acquisition will expand consumer choice. It will offer a full suite of medical, behavioral, specialty pharmacy and other health engagement services accessible across a wide array of retail and online distribution channels, providing optionality for all customers. The new company will have 70,000 employees, US\$150 billion in annual revenue, and it will touch 100 million U.S. patients.

As for the role of wholesalers, it will evolve to hyper-efficiency with new programs being created that assist independent pharmacies in achieving scale, using digital strategies and apps for patients. Direct & Indirect Reimbursement (DIR) fees to pharmacies will be based on the value of outcomes rather than the number of services provided.

The Role of Pharmacy in the U.S. Healthcare System.

Panelists Chip Davis (president & CEO of the Association of Accessible Medicines – formerly GPhA), Rick Gates (Sr. VP of Pharmacy & Healthcare, Walgreens Boots Alliance), Tom



Panelists for the Role of Pharmacy in the U.S. Healthcare System

Moriarty (Ex. VP & General Counsel, CVS), Martin Otto (COO of H-E-B - an American privately held supermarket chain based in San Antonio, Texas, with more than 350 stores throughout the U.S. state of Texas, as well as in northeast Mexico) and moderator, Steve Anderson (President & CEO of NACDS – The National Association of Chain Drug Stores) looked into the role pharmacy plays in healthcare today. The panel discussed the future of the U.S. healthcare system, which represents 18% of GDP; the changing role of pharmacy; the importance of wholesaler relationships; disruptions to the current pharmacy model; and the sustainability of the current generic model in the U.S. The key points were: Pharmacies are patient-focused, addressing adherence, as imbedding services based on behavioral patterns for failure in adherence is costing the U.S. healthcare system US\$300 billion per year; developing price transparency and tools that patients want and need. Pharmacies are become the first point of healthcare; Wholesaler relations are important and necessary, but wholesalers need to understand pharmacy and move together with pharmacy in confronting change. With respect to change, there are (3) disrupters: 1) Technology with digital access for patients and for the supply chain; 2) Risk to the current model as patient alternatives are being developed and sites of care are being redefined for biologics; 3) Financial issues, including generic price deflation, changes in reimbursement and the need to create other

services by deploying assets to drive revenue and better patient outcomes.

Disruptive Forces in the Pharmaceutical Industry. In a presentation by Eric Percher of Nephron Research, Percher cited two primary disruptive forces in the pharmaceutical industry : 1) The imperative of improving the value of healthcare expenditures – the cost of care delivery in the U.S. is unsustainable, necessitating a movement toward better value for care; and 2) The transformative impact of moving to Retail Health – patients are becoming consumers, requiring that payors and providers evolve from B-2-B to B-2-C systems plus enabling new models for community-based care.

There will be three primary areas of pharma supply chain disruptions: 1) Shifting organizational structure which will lead to more vertical integration and consolidation; 2) New technology and service models which could lead Amazon into certain areas of the industry; 3) Pharmaceutical price reform which previews a world without rebates

An Update on Pharma 4.0 and Companies' Firepower.

Presenters Todd Skinar (EY Partner and Principal) and Andrew Forman (EY Global Life Sciences Sector Resident) updated the data that they provided at the 2018 IFPW CEO Roundtable. The key points were: 1) the "disruptive firepower", that is to say market capitalization of Amazon, Alphabet, Apple, Microsoft, etc. in total now exceeds that of Life Science; 2) a convergence of the payor and parts of the pharmaceutical supply chain, such as Cigna/Express Scripts and CVS/Aetna; 3) The traditional model of healthcare is changing: point of care going from hospitals to home – data ownership shifting from institutions to patients – reference point (drug targets) moving from population to individuals (personalized treatment) – Physician's role is swinging to guidance rather than authoritarian. 4) Wholesalers' strategies must address a dual growth by continuing to optimize the business of today and at the same time innovate and grow the business of tomorrow. This thought provoking presentation challenged the listeners to generate more value in the supply chain and emulate the margin expansion by Amazon.

The Intersections of Healthcare and Technology provided a future perspective as presented by Will Hetzler, Founder and COO at Zipline. Zipline operates an African drone delivery system, on a national scale in Rwanda, to send urgent medicines, such as blood supplies and vaccines, to those in need no matter where they live. Hetzler demonstrated the current drone-system via video, indicating the system will be delivering 100 standard deliveries per day and 3,000 emergency deliveries over a 12-month period. Next phases of this technology and program, according to Hetzler, is on demand deliveries, at scale, to homes within the North American, European and Asian markets. While it was apparent that this technology is very useful in rural markets today where roads are not well developed, depending on government regulation and approvals, it is easy to imagine drone deliveries carving out an important niche in the pharmaceutical distribution delivery networks of the future.

A Look into Today's Manufacturer Services by Shawn Seamans, President, Pharma & Biotech Services, McKesson Specialty Health shined a light on expanding the distribution

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model from “low cost per line, with efficiency and scale” to precision medicines, high-touch services and individual treatment. Wholesalers will have to move from a trade orientation to one of commercialization.

The complexity of today’s healthcare landscape is patient-centric with the challenges of complex administration, rising costs, narrow networks, medical innovation, payer concerns, decrease access to physicians and a crowded market place. The new pharmaceutical industry model will be comprised of precision medicine, more high touch services, and individualized patient treatment.

Other presentations were made by Gail McGovern, the CEO of the American Red Cross on the International Red Cross and Red Crescent ; by Larry Sabato - Director, Center for Politics, and University Professor of Politics at the University of Virginia– on the current political landscape in the U.S.; by Hugh Welsh, President, DSM North America and Barbara Bulc, President and Founder at Global Development on Being a Purpose-Led, Performance Driven; and by Oksana Pyzik, Senior Teaching Fellow, Global Engagement Coordinator, University College London, on “Fight the Fakes” and how pharmacy schools are addressing the issue.

We look forward to welcoming everyone to Tokyo, Japan for the IFPW General Membership Meeting in October of 2020.

Juan Mulder Named IFPW International Leadership Award Recipient



This year’s IFPW International Leadership Award – given to a leader who has demonstrated a strong commitment to international collaboration and information sharing to the benefit of the pharmaceutical wholesaler industry – was presented to Juan Mulder, formerly of Quicorp (now InRetail) for his outstanding leadership during his involvement with IFPW over the past three plus decades.

Mr. Mulder’s relationship with IFPW began in the 1980’s. Through the years he has served in several capacities, including an IFPW board member (2011-2018), a trustee and Vice Chairman for the IFPW Foundation from its inception to 2018, and a member of the Regional Advisory Board for the 2012 General Membership Meeting in Cancun, Mexico. His longtime support of IFPW and its mission has played an integral in IFPW’s success, particularly in Latin America. IFPW is forever grateful to Mr. Mulder for his insight and leadership through the years and wishes him every success as he moves forward in a new chapter of life.

Unforgetting Moments, Memories Made



For more photos of this year’s GMM, visit
<https://photos.app.goo.gl/szfjsJTNU1r4Sjxd6>