



## Within Cardinal's Ohio Valley Innovation Lab Is A State-the-Art Technology Incubator

(Source: An Article by Sandra Levy for Drug Store News)

At Cardinal Health's Ohio Valley Distribution Center (DC), which supports its U.S. Medical Products and Distribution (USMPD) business, sits a 4,000 square foot Innovation Lab, a venue for testing new technologies designed to improve warehouse fulfillment procedures in real working environments.

"In the lab, we try to answer two questions: How can technology improve our service to our customers, and, at the same time, how can we use technology to improve the day-to-day lives of our employees?" said Derek Naylor, director of supply chain optimization and technology. "The lab opens onto the warehouse floor, so we have the entire space as our playground, and that lets us explore the true potential of innovations to answer both questions."

Nearly 130 employees work in this Ohio Valley DC – one of 40 warehouses in Cardinal Health's U.S. medical products distribution and replenishment network. Team members receive training to properly pick, pack and ship products, such as surgical kits, tubing for enteral feeding and anesthesia kits, that move in and out of the facility. They skillfully navigate long aisles and are periodically supported by autonomous mobile robots (AMRs) rolled out in 2022 for enhanced productivity in the pick and pack process. Those who work in the Innovation Lab play an important role in helping test the efficacy of new technologies.

The Innovation Lab serves as an end-to-end incubator, giving the company the opportunity to test new technologies that may support the goal of building greater resiliency and efficiency. New scanning tools, collaborative mobile robots, drones, next generation software updates and more are evaluated here, often with employees on the warehouse floor.

Though there are countless new products emerging in the robotics and automation industries, the Innovation Lab team focuses their testing on those that most directly support efficiency in operations, as part of the company's warehouse modernization strategy. The strategy aims to integrate new technologies that will deliver flexible, scalable solutions that enhance operations across the company's entire medical products distribution network. New solutions must have the capacity to help the DCs meet tight delivery windows, advance product quality, and most importantly, improve the customer experience.

An important element in the overall warehouse modernization strategy is ensuring that the current warehouse management system (WMS) is future-ready by integrating with a Multi-Agent Orchestration (MAO) platform. The MAO is a software that orchestrates all day-to-day operations involved with products in the DC, from the time those products arrive to when they leave, headed for customers.

The team also is modernizing WMS data storage to mitigate vulnerabilities related to data storage limits, loss, damage, and time-consuming maintenance.

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## In Brief...

◆ **EBOS Group** has been named the leading drug store and pharma group in Australia by *Statista*, with revenue of approximately AUD10.7 billion (US\$7.13 billion), followed by **Chemist Warehouse** and **TerryWhite Chemmart**. EBOS Group Limited is an Australasian marketer, wholesaler, and distributor of medical and pharmaceutical products, and a longstanding member of IFPW.

◆ The U.S. government has tapped **McKesson Corporation**, as the centralized worldwide distributor for the **Moderna** and **Janssen (Johnson & Johnson)** COVID-19 vaccines, to help support its new mission of vaccinating the world. "We're honored to expand our role in preparing the vaccines for shipment to other countries in need," said *Ana English*, senior director of McKesson's COVID-19 vaccine program. "We've already had success in the broad distribution of vaccines in the U.S. and are confident in our ability to safely and effectively support this new dimension as well."

◆ **Sigma Healthcare** (Australia) announced that **Challenger Limited** and **Apollo Global Management, Inc.** have become substantial investors in the company. The acquisition includes a mix of cash and non-cash consideration for securities

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## Serious Threats and Big Opportunities in U.S. Retail Pharmacy

(Source: An Article by Debby Garbato by for Drug Store News)

Retail pharmacies in the U.S. are in a precarious position and are struggling to generate profits due to understaffing, lost revenue on prescriptions and, in the case of big drug chains, an overall store model that appears to be in trouble. As a result, companies are cutting pharmacy hours and closing stores.

In the past, these problems were the downfall of independent pharmacies, many of which have disappeared. But poor pharmacy benefit manager (PBM) reimbursements and other financial challenges are now taking their toll on larger chains, particularly drug stores.

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## Cardinal (cont'd.)...

In addition, the Innovation Lab team has tested new, intuitive, and user-friendly tablets and handheld devices used in picking and scanning. These provide a streamlined user experience with a graphical user interface on the screens – meaning that employees can interact with them via icons, rather than text alone. USMPD has rolled out dozens of these new smart devices, with improved user experience for the lab team.

As part of USMPD's ongoing strategy to modernize operations, the lab team explores automation technologies that increase efficiencies in the DC operations, and, at the same time, reduce employees' risks of ergonomic injuries.

For example, with previous testing and support from the Innovation Lab, the Ohio Valley DC and other USMPD facilities integrated AMRs into their workflows. Through the warehouse management system, the robots are loaded with picking instructions and totes, and travel efficiently through the DCs, meeting employees at various picking stations. Employees still walk their specific picking zones in response to the AMRs' instructions, but they don't have to walk an entire warehouse floor.

Additionally, the team is in the early stages of testing wholistic solutions, offering enhanced software capabilities and a single workflow for picking and product movement that can be supported by goods-to-person robotics. This creates a more dynamic, resilient, and responsive operation. Goods-to-person technology, which combines automated storage and retrieval of products, does exactly what it sounds like – brings products directly to employees to pick and pack.

The team is currently testing a hybrid goods-to-person robotics solution in which the product is delivered to a dynamic pick wall in preparation for the associate needing to complete the pick. In this hybrid solution, the associate still must walk, but the time spent walking past unneeded products is reduced significantly.

Technology is helping improve the quality of customer service in many ways – providing greater order visibility and ensuring delivery of the right product at the right place at the right time, every time. The company aims to improve its service level, even incrementally, and improve safety, quality, service and cost.

## Retail Pharmacies (cont'd.)...

Currently, Rite Aid faces bankruptcy and CVS is closing 900 stores, representing 10% of the chain. Last summer, Walgreens announced it would shutter 150 U.S. locations. Front ends also face challenges, with online shopping redefining convenience.

"The economic model is broken," said Rodney Wing, partner in health and retail practices for AT Kearney. "That's the biggest challenge. They're changing hours and closing stores. There's labor problems and the front end is struggling. There's competition from mail order and online. They're failing due to prevailing trends in reimbursement. How do you make retail pharmacy relevant?"

Retailers are exploring cost-plus pricing models and supporting PBM-regulating legislation in an effort to remedy these problems. Industry experts also hope that more states will expand pharmacists' scope of practice, letting pharmacies add additional health services to offset declining prescription reimbursements.

Most issues stem from PBM's declining prescription reimbursements, a situation that continues to worsen. Three PBMs (CVS/Caremark, OptumRx and Express Scripts) control 85% of the market, making contracts relatively unnegotiable and effectively constricting profits.

Some big drug chains are implementing cost-plus models, a concept initiated by Mark Cuban of the pharmacy distribution company Cost Plus Drugs. Cost Plus eliminates the PBM "middleman". Cost Plus considers how much the pharmacy paid for a drug along with dispensing fees added for pharmacy services and other associated costs. This model better aligns costs with revenue, better positions incentives across the value chain and potentially enables more transparent pricing. However, creating total transparency requires a 360-degree change in business practices, requiring a significant cultural shift.

Another potential revenue source would involve pharmacists being reimbursed by insurance companies and other payers in the same manner as other medical providers for non-prescription dispensing services. This could include medication and diabetes management, treating and prescribing for common illnesses and operating in-store clinics.

This is already happening in some states across the U.S., but legislators have not expanded scope of practice or passed laws requiring insurance reimbursements nationwide.

"Pharmacists continue to give away services that other health care professionals charge for," said Ilisa Bernstein, Pharm.D., J.D., FAPhA and SVP of practice, policy and partnerships of the American Pharmacists Association. "Laws and policies must change so pharmacists are paid equally."

A proposed bill, the Equitable Community Access to Pharmacies, would enable Medicare beneficiaries to be covered for testing, treatment and immunizing for certain conditions "as they were during the pandemic," said Bernstein. Expanding the scope of practice could also benefit some rural and urban communities where there are few primary care providers, she added.

## In Brief (cont.)

purchased both on and off the market.

- ◆ According to **Pfizer** CEO *Albert Bourla*, the company is taking a break from M&A deals after its acquisitions of **Arena Pharmaceuticals**, **Biohaven**, **Global Blood Therapeutics**, and **Seagen**. "We need to catch our breath and make sure we execute well on those that we have right now," Bourla explained. Speaking to some of those recent deals, he added that Seagen's integration into the company is going well and that Biohaven's migraine med *Nurtec ODT* has the potential to "surprise us very positively going forward."

- ◆ The **U.S. Food and Drug Administration** said it will give small dispensers a two-year extension to comply with the enhanced tracking requirements for prescription medicines under the *Drug Supply Chain Security Act (DSCSA)*. The delay applies to the FDA's enforcement of enhanced drug distribution security requirement and verification requirement for dispensers that come across suspect or illegitimate products, which were laid out in guidance published in 2023. The new enforcement holiday comes on top of a one-year delay to the deadline of November 27, 2023, which means small dispensers are now exempt until November 27, 2026.

(Sources: Company Press Releases, Fierce Pharma, Statista, SecuringIndustry.com, and TipRanks)