FOCUS

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The Evolution of The Pharmaceutical Wholesaler

(Sources: Cardinal Health and an article prepared by David Salazar and published by Drug Store News)

The legacy service that has been provided by pharmaceutical wholesaler logistics remains at the core of a company's operation but there are increasing number of services and products being bolted onto this core, transforming the "pharmaceutical wholesaler" into a pharmaceutical service provider to the entire supply chain and adding value to patient outcomes.

An example of this service expansion is Cardinal Health's Fuse, an innovation laboratory. At a recent tradeshow, the booth for the company's Fuse program, was staffed by Fuse engineers and healthcare innovation experts highlighting their work to develop solutions for the evolving pharmacy business, as well as engineering pharmacists' ever-changing needs.

"As the innovation center of Cardinal Health, Fuse is constantly looking to innovate in the area of health care," Fuser, Jessie Olesnanik, said, "We're looking about five years out - what are the possibilities for what the practice of pharmacy will look like, how might the pharmacist's role change in that amount of time and how can we show that Fuse and Cardinal Health are thinking about things in the near future and developing solutions to address that?"

To showcase these elements, the exhibit booth was divided into three sections: Explore, Experiment and Pilot. In the Explore area, Fusers heard from customers about what they think the future of pharmacy will look like in the coming years. In the Experiment section of the booth, Cardinal showcased their thought leadership on how the pharmacy and technology's role will change over time.

In the Pilot section. Fuser Derrick Pena was showcasing the lab's In Power™ Wellness System medication adherence solution, currently being piloted in the Columbus, Ohio area. The pilot, which is set to last six months, has brought the InPower medication dispenser into the homes of diabetes patients, reminding patients when it's time to take their medication and walking them through the process to monitor adherence. The device pairs with a blood glucose monitor, sending to the patient's pharmacist real-time data on both adherence and blood glucose levels.

"There are probably a dozen actual devices and 100 or so mobile apps addressing adherence, but our hypothesis is that with those, the burden is still on the patient," Pena said. "We want to completely remove that burden from the patient." The participating pharmacies fill a patient's medications in pods that have an RFID tag built in, which is then scanned by the InPower device, removing the need for patients to manually tell the device what medications they take and when. With regard to their blood-glucose monitoring, patients no longer need to keep a physical log.

The potential just with a glucometer has Pena contemplating how InPower could help patients in other disease states. Moreover, Pena said that trail reports from participating stories have reinforced the potential that InPower will improve health outcomes for patients using the devise. He provided an example whereby a pharmacist noted that the scores from a patient on a recent trial began to drop. The pharmacist proactively contacted the patient, who was relatively adherent prior to the drop in score, discussed the issue with the patient and together developed a solution. Subsequently, the patient's adherence to medication was back to normal. An example of value created especially in the relationship between pharmacist and patient.

Olesnanik said that at the trade show attendees suggested the need for an easier way of dispensing drugs with the InPower pods, which led the team to develop the PodPal with integrated RFID writer/reader and scale. "This is a great opportunity in all of these areas to get that customer interaction, listen to what they're saying and help it guide all of the solutions that we're creating," she said.

In Brief...

- **Profarma** (Brazil) released its 2Q17 financial results, showing consolidated gross revenue of R$1,226 million (US$391 million), a 6.7% increase year over year, and gross revenue of R$1,042 million (US$332 million), an increase of 3.9% over same quarter of 2016 for its pharmaceutical distribution unit. Net revenues were R$1,045 million (US$333 million) as compared with R$1,000 million (US$319 million) the previous year.
- Japanese pharmaceutical wholesalers (including **Toho** and **Suzuken**) reported lower price settlement rates due to the demands of medical institutions and insurance pharmacies for re-negotiated pricing. Even smaller distributors such as **Vital KSK Holdings** reported a lower settlement rate for the April to June quarter due to the tough business conditions of its customers. The price settlement rate represents the percentage of sales of products whose delivery prices have been determined versus sales of all products (including drugs without settlement prices) sold to customers.
- A study by **Kline & Company** shows companies are being more selective in which prescription to over-the-counter switches they pursue due to a combination of market-driven forces, as well as safety concerns determined by regulators. Foremost is the need for sponsors to overcome safety issues through well-designed and properly-executed trials showing that these medications can be used by patients without the oversight of a health professional. Medications dealing with issues such as benign prostatic hyperplasia, erectile dysfuction, migraine, overactive bladder and sleeping aids have the greatest potential to make the leap to the OTC arena.
- Russian state corporation **Rostec** and pharmaceutical producer **Marathon Group** (Russia) are merging to form a new leading drugmaker in Russia. This merger, which should close before the end of the year will focus on the development and manufacturing of Russian-made medicinal products and serve to establish a national pharmaceutical distributor. Financial terms of the merger were not disclosed.

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

Alibaba & Amazon Vying for a Healthcare Ecosystem

(Sources: China Daily and Tech)

Ali Health is focused on nurturing a big data system to upgrade its existing medical operation. Last month, the subsidiary of Alibaba Group Holding Ltd introduced in Beijing, China its cloud platform in cooperation with Wanli Cloud Medical Information Technology Co. Ltd.

The platform will forge a link between hospitals at grassroots level, patients and medical professionals in fields such as imaging services. In addition, an artificial intelligence, or AI, system has been built into the platform. Known as "Doctor You", it can help medical professionals with clinical diagnosis, as well as acting as a training outlet.

"AI technology should improve the working efficiency of doctors and reduce the rate of misdiagnosis," said Wang Lei, the chief executive officer of Ali Health. "It will soon enter hospitals to help medical professionals."

Big data is key to Ali Health's plan. During the past few years, it has become a vital pillar of the information industry, and is used to crunch vast amounts of complex statistics to show patterns and trends in business and consumer habits. The term, big data, has percolated into nearly every aspect of working life since it was coined in the 1990s as a way of measuring efficiency. But it can also be used to produce detailed information on the personal habits of customers or in this case patients.

"With big data and the internet, we plan to build a whole healthcare industry ecosystem, including services, a medical e-commerce platform, personal health management and insurance," Wang said. "We intend to provide comprehensive healthcare solutions to improve the efficiency of seeing a doctor or buying drugs," he added.

Established in 2014, Ali Health is small compared with other parts of Alibaba, but it is still recognized as a crucial component of the group. Listed in Hong Kong, it has just 300 staff with almost half of them engineers. "We are now concentrating on techniques and platforms that will transform the sector," said Wang, who added that healthcare big data systems are still in their infancy across the world. Still, Ali Health's main online business, including e-commerce and intelligent medical care, is expanding. Figures released by the company showed that e-commerce revenue reached 378.8 million yuan (US$56.5 million) in the last fiscal year, which ended on March 31. This accounted for 79.7% of total revenue, which was more than 475 million yuan (US$71.3 million). Despite these numbers showing a more than 739% increase on the previous year, Ali Health reported a net loss of 98.33 million yuan (US$14.8 million).

In the meantime, Amazon has started a secret experimental lab dedicated to opportunities in healthcare, including new areas such as electronic medical records and telemedicine. Amazon has dubbed this stealth team 1492, which appears to be a reference to the year Columbus first landed in the Americas. The stealth team, which is headquartered in Seattle, is focused on both hardware and software projects, according to two people familiar with this effort. Amazon has become increasingly interested in exploring new business in healthcare. For example, Amazon has another unit exploring selling pharmaceuticals, CNBC reported in May.

The new team is currently looking at opportunities that involve pushing and pulling data from legacy electronic medical record systems. If successful, Amazon could make that information available to consumers and their doctors. It is also hoping to build a platform for telemedicine, which in turn could make it easier for people to have virtual consultations with doctors, one of the people said. The group is also exploring health applications for existing Amazon hardware, including Echo and Dash Wand. Hospitals and doctor's offices have already dabbled in developing skills for Amazon's voice assistant Alexa, which presents a big opportunity for the e-commerce company.

It's not clear whether Amazon is building any new health devices, but sources didn't rule it out.

Japan's Wholesalers Experienced a 3.5% Decline in Sales

(Source: Pharma Japan)

Member firms of the Federation of Japan Pharmaceutical Wholesalers Association (JPWA) saw a 3.51 % decline in their sales in the year ended March 2016, the biggest year-on-year decline yet recorded, due to a pullback in demand for hepatitis C treatments, according to preliminary survey data released by the JPWA.

The drop comes after JPWA members enjoyed a sales increase of 8.26% in the previous year, the first increase greater than 8% in 27 years, buoyed by the special spike in hepatitis C demand. Year-on-year declines in sales have been logged only three times since the JPWA began compiling these records in FY1979. The previous declines were seen in FY1997 (-3.03%), when the consumption tax was raised from 3% to 5%, and in FY2014 (-2.30%), when it was raised to 8%. The slump in demand for hepatitis C treatments after the extraordinary demand seen in FY2015 clearly had an even bigger impact on sales than those seen after the consumption tax hikes.

According to JPWA's survey data that was released on August 9, members' sales for FY2016 totaled 9,967,272 million yen (US$91.4 billion). Ethical drugs accounted for 8,907,420 million yen (US$81.6 billion) in sales or 89% of total sales. The JPWA says the results of the survey cover nearly all the market.

Thanks to the extraordinary demand for hepatitis C treatments, profits in FY2015 rose across the board. In contrast, they fell across the board in FY2016, with the operating profit rate slipping 0.44 point to 0.83% and the ordinary profit rate falling 0.47 point to 1.31 %.

At a recent press conference, JPWA President, Ken Suzuki (who also serves as IFPW's Vice Chairman), explained, "A 'category change' is progressing. Major products will continue to lose patent protection this year, so I expect the market growth to remain slow. On the other hand, new drugs such as anticancer drugs are being launched, and growth in the market will depend on their success."

The number of sales reps of JPWA member companies as of June 1 stood at 17,102, down by 461 from the previous year, according to the JPWA website.