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U.S. Hospitals to Form a Pharmaceutical Company

(Source: CNBC and PharmExec.com)

Several hundred U.S. hospitals are planning to make "about 20" pharmaceutical products, whose existing versions either cost too much or are in short supply for no good reason. Dr. Marc Harrison, chief of Utah-based Intermountain Healthcare, during an interview on CNBC, would not identify the existing drugs that the new company would replicate on its own or have done on a contract basis. He said, "We think it will be early 2019 before our first drugs come to market." He also said the group is hoping to obtain additional financing from "philanthropists who are sick of this activity" by drug companies, resulting in "creating shortages and driving prices in an irrational fashion."

Intermountain is leading the collaboration with several other large hospital groups, Ascension, SSM Health and Trinity Health, in consultation with the U.S. Department of Veterans Affairs, to form a not-for-profit drug company. The groups together represent more than 450 U.S. hospitals.

Harrison said that the project was spurred by patient feedback who, at times, were having difficulty finding certain drugs or that these drugs were way too expensive. "We're experiencing that in the hospital as well, and we've been thinking about this for a couple of years now," Harrison said. He indicated that one of the largest problems in the pharmaceuticals market today is that some "individuals and groups have gone ahead and gotten sole control over a given drug," creating shortages and driving prices up whereby patients cannot fill their prescriptions.

"We as a team will do the opposite," he said. "We'll make sure drugs are available in good quantities and reasonable prices. The members of the consortium will contribute funds to finance the new drug company." Over time, the business plan calls for a return of the initial investment. Harrison also said that he expects the new firm to provide just a small fraction of pharmaceutical products that the hospitals purchase. "We expect that the vast majority of drugs we buy will still come in the same channels we have always gotten them," he said. "We think most pharmacies are doing a great job and drug manufacturers are doing a great job….We're only interested in those organizations that are creating shortages and driving drug prices up in an irrational fashion," Harrison said.

Meanwhile, generics makers claim that the squeeze on revenues due to anti-competitive brand tactics, along with distributor and wholesaler consolidation, discourages their investment in modern manufacturing systems needed to ensure product safety and quality, and avoid recalls and shortages. Teva Pharmaceuticals is instituting massive layoffs and shuttering manufacturing and R&D facilities to regain financial health. Novartis' Sandoz division says that price pressures may lead to reductions in its US product portfolio and a greater focus on developing biosimilars and complex formulations. Similarly, high-profile price increases on older generic products have generated backlashes and allegations of collusion and price gouging, particularly from state prosecutors.

In Brief...

- **Walgreens Boots Alliance** was reported to be in acquisition talks with **AmerisourceBergen Corporation**. Walgreens currently owns 25% of AmerisourceBergen and hopes to acquire the remaining 75% according to reports from sources familiar with the matter, although they did stress that at this point, it is uncertain whether a deal will be made. The move comes as Amazon continues to threaten to compete for the healthcare space. Separately, AmerisourceBergen Corporation reported first quarter results for fiscal year 2018, with a 6% increase in revenues (year-over-year) to US$40.5 billion. The company also revised its fiscal year outlook, raising its adjusted diluted earnings per share to US$6.45 - US$6.65, reflecting expected growth of 10-13% versus 2017. "Our updated outlook for fiscal 2018 reflects this performance and the expected benefit of US tax reform, partially offset by a lower than expected contribution from PharMedium." Said ABC's Chairman and CEO, *Steve Collis*. It also reported that ABC's independent specialty pharmacy, U.S. Bioservices announced that 2017 was a record-breaking year for new business wins in three strategic areas, including oncology, rare and orphan, and specialty infusion. U.S. Bioservices gained access to 27 new products in 2017, including 10 oncology products and three rare and orphan drug therapies.
- **Cardinal Health Inc.** announced marked growth of 6% for its second quarter of 2018. Earnings per share increased 226% to US$3.33 attributable to a quarter of exceptional growth in its medical business and pharmaceutical distribution segment, both of which exceeded expectations. Cardinal CEO Mike Kauffman

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The New Normal for Pharma

(Source: an article published by "eye for pharma")

The ancient Greek philosopher Heraclitus believed that the world is governed by a constant state of change. He said, "No man ever steps in the same river twice, for it's not the same river and he's not the same man." This rings as true today, for new laws are passed to reflect shifting social attitudes, new ideas lead to new inventions, and science has proven that even our cells regenerate - in strictly biological terms, we are never the same person.

The pharma industry seems to be embracing the ideals of impermanence, finding new ways to evolve, define its value and ultimately usher in a 'new normal'. At Novartis, they feel this new normal is based on two pillars, says Fabrice Chouraqui, President, U.S. Novartis. "The first is about acknowledging the healthcare system is complex and not transparent, which leads to aggressive formulary management and a very difficult system for providers and patients to navigate. For example, there is great disparity between list price and net price, between the price that is visible to the public and the price at which payers buy the drug, which remains an abiding issue, argues Chouraqui.

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New Norm (cont.)...

"The second pillar is that pharmaceutical innovations are transforming from small molecules that reach large populations, to an era of targeting high unmet medical need and small specialty conditions where the cost is higher, but the impact of medicines is transformative."

The ongoing move to value-based pricing agreements will bridge this disconnect, he predicts. Novartis has already made inroads in this space. A recent example being its first Car-T cell therapy *Kymriah* - a blood cancer drug designed to treat pediatric and young adult patients. Novartis won't charge for Kymriah if a patient does not respond by the end of the first month of treatment. For Chouraqui, outcomes-based agreements encourage pharma to see the forest for the trees. "The true value of a treatment is looking at it holistically in a fair and balanced way, using transparent methodologies that take into consideration the value it brings to different players in the healthcare system." Engaging the relevant stakeholders and aligning everyone's goals to ensure patients receive the best possible treatment is an arduous challenge, but outcomes-based agreements are a decisive step in the right direction, he affirms.

Chouraqui identifies four key metrics which can be used to determine the value of a drug. "I see shrinking a tumor for example as the clinical value of a treatment, the patient value comes from improving the quality of life for patients: the health system's value can be illustrated through reducing the rate of rehospitalization, but there is also the societal value such as allowing the patient or even a caregiver to return to work."

Chouraqui also champions the rise of HTAs in this space. "I believe we could better leverage health technology assessments. As long as we can come up with methodologies that are transparent. which are fair and balanced, they could be really be great in helping to assess the value and simplify the system." He continues. "It is reasonable to think that if a drug value is being assessed scrupulously by an independent party, that should be an incentive for payers to cover that drug, and then we could lift a lot of complexity for payers and patients navigating the system. I think this would be a win for everyone."

Pharma cannot maintain this momentum alone, however, stresses Chouraqui. "The healthcare system is so complex, not a single player will be able to create efficiency, everyone must work in collaboration and be animated with the unique purpose of improving patient care. That should be the driver, and everyone should be judged by that"

In Brief (cont.)...

(successor to *George Barrett*) said, "Overall we are very pleased with the quarter. Our pharmaceutical distribution business performed better than expected, and we continue to see strong growth." Total revenue for the quarter was US$35.2 billion with US$1.1 in net earnings. Separately, Cardinal announced *Akhil Johri* will join Cardinal's board of directors. Johri is the Executive Vice President and Chief Financial Officer of United Technologies.

- **InRetail Perú Corp** announced the acquisition of **Quicorp S.A.** in a deal worth US$583 million. InRetail is a leading multi-format retailer with interests in a number of areas, including supermarkets, pharmacies and shopping malls. Quicorp, a leading pharmaceutical distributor and retailer in the Andean region, operates in the manufacturing, distribution and retail pharmaceutical segments, and has a presence in Perú, Ecuador, Bolivia and Colombia.
- **McKesson Pharmacy Systems** announced a partnership with **Creative Pharmacist** aimed at empowering pharmacies using McKesson's pharmacy management systems with the ability to manage *Pharmacist eCare Plans*. The Pharmacist eCare Plans include a vital shared documents with treatment regimens, medication support needs, drug therapy issues and other important information for patients. Creative Pharmacist is a market leader in providing innovative clinical pharmacy solutions for pharmacies.
- **Boehringer-Ingelheim** has named *Wolfgang Baiker* as its new U.S. President and CEO, effective March 1st, replacing the retiring *Paul Fonteyne*, who has held the position since 2012. Baiker has worked for Boehringer-Ingelheim since 1989 and will leave his current position as Senior Vice President of Human Pharmacy Supply and Global Quality, and head of its biopharma unit, to assume his new role. Fonteyne will stay on with the company through the end of the year overseeing its animal health business and overseeing integration of operations following its acquisition of Merial from Sanofi.

(Sources: Business Wire,Company Press Releases, and Drug Store News)

Consolidation of the U.S. Generic Market

(Source: edited excerpts from an article prepared by Dr. Adam Fein and published by his website, Drug Channels)

U.S. Wholesalers and retailers have deepened their relationships via generic purchasing consortia and generic drug makers are feeling the pain. As an example, Novartis' Sandoz business unit reported that its fourth-quarter 2017 sales dropped by 17% "due to increased industry-wide pricing pressure and continued customer consolidation."

In his article, Dr. Fein examines the four-generic drug mega-buyers behind this pressure: Red Oak; Walgreens Boots Alliance; McKesson and ClarusOne; and, Express Script's EconDisc. Dr. Fein estimates that in 2017, these four organizations accounted for an astounding 90% of total U.S. generic drug purchases from manufacturers. **Red Oak Sourcing (32% share of U.S. generic purchasing volume):** In December 2013, CVS Health and Cardinal Health announced a 50/50 generic drug buying joint venture that began operating in mid-2014 as Red Oak Sourcing, LLC. The joint venture does not require extensive business integration or acquisition expenses, nor does it fundamentally change each company's current supply chain and distribution operations.

Dr. Fein estimates that Red Oak is now the largest buyer of generic drugs. CVS Health's 2015 acquisition shifted the generic purchasing volume of Target and Omnicare to Red Oak. In 2016, Cardinal Health began a multiyear agreement with OptumRx to supply generic and brand pharmaceuticals to OptumRx's mail and specialty pharmacies, including the Catamaran business. Before OptumRx's acquisition of Catamaran, OptumRx had purchased generics directly from manufacturers. **AmerisourceBergen (26% of purchasing volume):** In December 2014, shareholders voted to approve the combination of Walgreens and Alliance Boots...

To read more of Dr. Fein's article, please visit

http://www.drugchannels.net/2018/02/meet-power-buyers-driving-generic-drug.html