

# Front & Center

## Banking on Distribution: Q&A with AmerisourceBergen's Top Brass

The pharmaceutical industry has a lot to balance: volatility in its relationship with policymakers, scrutiny over supply chain security, consolidation and public outcry over drug pricing. It's doing this while continuing to drive innovation and combine broad access with actionable data and real-world evidence.

Casey McDonald, *Pharmaceutical Executive (PE)* senior editor, caught up with two top AmerisourceBergen executives at ThinkLive 2016, the company's annual conference for 500+ manufacturers and partners at which industry leaders collaborate on everything from commercialization strategies to next-generation patient-support programs. Steve Collis, AmerisourceBergen's chairman, president and CEO, and Peyton Howell, executive vice president and president of global sourcing and manufacturer relations at AmerisourceBergen, offered their take on how distributors can best provide value to and relieve some of the pressure on manufacturers.

**PE:** *How does AmerisourceBergen approach its relationships with manufacturers in the difficult environment we're facing?*

**Collis:** We start by acknowledging that not all manufacturers are the same and each has its own needs. From big US and European pharmaceutical companies to smaller biotech organizations and, of course, players

like generic drug makers to new companies getting ready to launch a new agent, we have built the expertise, connectivity and solutions to help manufacturers of any size maximize their products' poten-

tial. We work across the spectrum, including animal health. We interact at every level down to the community veterinarian and pharmacist on up to the large-scale health systems and chains like Walgreens.

In fact, AmerisourceBergen's success is intrinsically tied to the success of pharmaceutical manufacturers. Our services are designed around the patient journey to improve product access, adherence and, in turn, create demand for our customers' products, but they're also designed to anticipate manufacturer pain points and provide the right solutions.

In the last few years, we've focused on building technology internally, like Certio, which provides data-driven insights to generics manufacturers to support their forecasting and production processes. We're also using our strong balance sheets and cash flows to expand our services and deepen our relationships with manufacturers. We have actively worked to acquire market-leading companies within their categories, such as World Courier and MWI Animal Health, and integrate them into our culture. They have made AmerisourceBergen more robust and dynamic, but more importantly, they've given us more ability to support customers at every stage of a product's life cycle in both human and animal health.

**PE:** *Why acquisitions? What are you looking for in partners for AmerisourceBergen or potential opportunities?*

**Collis:** The driver for this strategy is twofold: our business model is built upon our customers' success and our belief that the way to success is with relentless focus on the patient journey. We're looking for companies that share that vision and can help us do that better.

One example is how we approached the acquisition of MWI Animal Health,

which enabled us to share our knowledge between MWI and other parts of AmerisourceBergen. MWI associates are just as passionate about animal health as others are about human health, but they needed more access to a global market and perspective, which we provided. In turn, we are not only finding opportunities to share new technologies, but they've also helped us look at applying a demand-driven sales force, which we're bringing to our generics business and partners.

I'm especially proud of our ability to find the right acquisitions and to respect and honor their entrepreneurial cultures. Nearly half of the AmerisourceBergen lead team joined through acquisitions, which has continued to bring us fresh perspective. We have developed an expertise in acquiring these complex, regulatory-intense, diverse businesses and integrating them into AmerisourceBergen. And, now, we must ensure all of our customers understand our breadth of services. Looking for a reimbursement partner? You may benefit from connecting with Lash Group. Need strategic consulting? An increasing array of manufacturers are learning about services companies like Xcenda offer—all within one existing partner: AmerisourceBergen.

**PE:** *Switching gears, I heard participants at ThinkLive refer to AmerisourceBergen's role as a "banker" for the industry. What does it mean for AmerisourceBergen to be seen this way?*

**Howell:** It's an interesting analogy. Imagine one central dot on a plane with connections to hundreds of thousands of other dots. That's us—we're the central point of contact connecting manufacturers with providers and vice versa. We give pharmacists, physicians, health systems and others one



Steve Collis,  
Chairman, President  
and CEO of  
AmerisourceBergen

access point for a variety of products, and we do the same for manufacturers. Through us, they access tens of thousands of providers with the benefit of having only one entity with whom to interface.

Contrast that scenario with markets outside of the US, where an individual pharma company might have more than a year of accounts receivable with hospitals, doctors and pharmacies. Our ability to relieve this pressure on our partners is a huge value for both upstream and downstream industry members, and yet, it's the service that's most often taken for granted because it's not tangible.

We're a streamlined resource for products. Pharmacists, health systems and physicians don't want to purchase pallets of medications; rather, they want daily deliveries of only a few bottles or vials to better manage inventory. So, we take these individual orders—the "ones and twos"—and move them from pallets to providers. We ensure the right medication gets to the right party at the right time. There's efficiency in our scale, but more importantly, there's efficiency in the financial support we provide.

We serve as that same streamlined resource when *financially* connecting manufacturers and providers. It's a big cost for us, but a huge value for our manufacturing partners. We can sell all products to a hospital, physician's office, or independent pharmacy—brand, generic, specialty and so on. By doing that, we become "the banker," if you will, for pharmaceutical companies. We give manufacturers a single invoicing point of contact versus the hundreds of thousands we then manage. We also have a better abil-



**Peyton Howell,**  
Executive Vice  
President and  
President of  
Global Sourcing  
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Relations at  
AmerisourceBergen

ity to collect than any single manufacturer would because that provider is buying all, or virtually all, of its products through us. Plus, we work so closely with providers that we truly understand their businesses and can offer terms appropriate for their cash flow. We convert uncertainty and delay into consistent cash flow.

The industry tends to focus on efficiencies. That financial component is extremely valuable to manufacturers and something they could not replicate on their own.

**PE:** *How does AmerisourceBergen use ThinkLive as a forum for individual physicians and pharmacists?*

**Howell:** ThinkLive is a terrific opportunity to engage with our customers and foster an open dialogue about how we can create best-in-class solutions to improve patient care, increase product access and enhance supply chain efficiencies. An important conversation from ThinkLive 2016 revolved around affordability. Take the example of the small community pharmacist who was struggling with a big purchase of an expensive oncology drug that only came in a large bottle. He was looking at a big financial loss—dollars he would be throwing out when the bottle expired and might only have been useful for an individual patient. His bottom line would suffer because of a distribution problem. We can work with customers to help manage ebbs and flows and offer them relief; meanwhile, we can be a voice back to the manufacturer to share when there's a constraint.

**PE:** *Speaking of constraint, what are some of the new challenges facing the industry today and moving forward?*

**Howell:** There are so many challenges for manufacturers today, but certainly the pressure is on reimbursement. A drug's value must be explained in a new way that shows health outcomes benefits to payers, speaks to payers in a competitive environment, and considers all the factors that impact patients at the site of care.

For manufacturers, figuring out the appropriate pricing from a value standpoint is one example of how complex things are getting. You may have a product with 10 uses. From a distribution and pricing standpoint, doses for all indications may all be different, which is challenging.

We're also hearing about the challenges of commercialization strategy. You must step back and listen to providers. You can't have a marketing group come up with a marketing solution that's novel with a competitive advantage if it doesn't work for the doctor, patient and hospital. That's totally different than it was in past years when there were few specialty products, and you could focus on one target audience.

**PE:** *Tell me about AmerisourceBergen's path forward.*

**Collis:** In the last several years, AmerisourceBergen has continued to become more global in our footprint and perspective. We'll continue to pursue opportunities that allow us to bring the benefits of this position to bear for our customers, including expanding our offerings in and helping to shape the Latin American and Asian markets.

We'll also look to grow our business through our collective specialty expertise, and invest in our core businesses, but continue to look for companies that will help us to be better, longer-term health care partners for patients and our customers.

We must come to an understanding that there are much more important objectives every day than just promoting shareholder value. And a vision that includes long-term shareholder value begins by being moral, making a positive impact in the community and doing the right thing for patients. For AmerisourceBergen, this comes with recognizing that we are truly a health care company, and this is an important differentiator that you'll see us continue to deepen.