

Medical Product Shortages during Disasters: Opportunities to Predict, Prevent, and Respond

Establishing a Shared Understanding of Medical Product Shortages – A Complex Challenge

September 5, 2018



Our company: By the numbers

\$153B



**2017
Revenue**

Growth aligned with
our customers'
long-term success

21,000+



**Company
Associates**

Diverse expertise all
focused on improving
global health

150+



**Global
Offices**

Delivering a range
of services to
address specific,
local needs

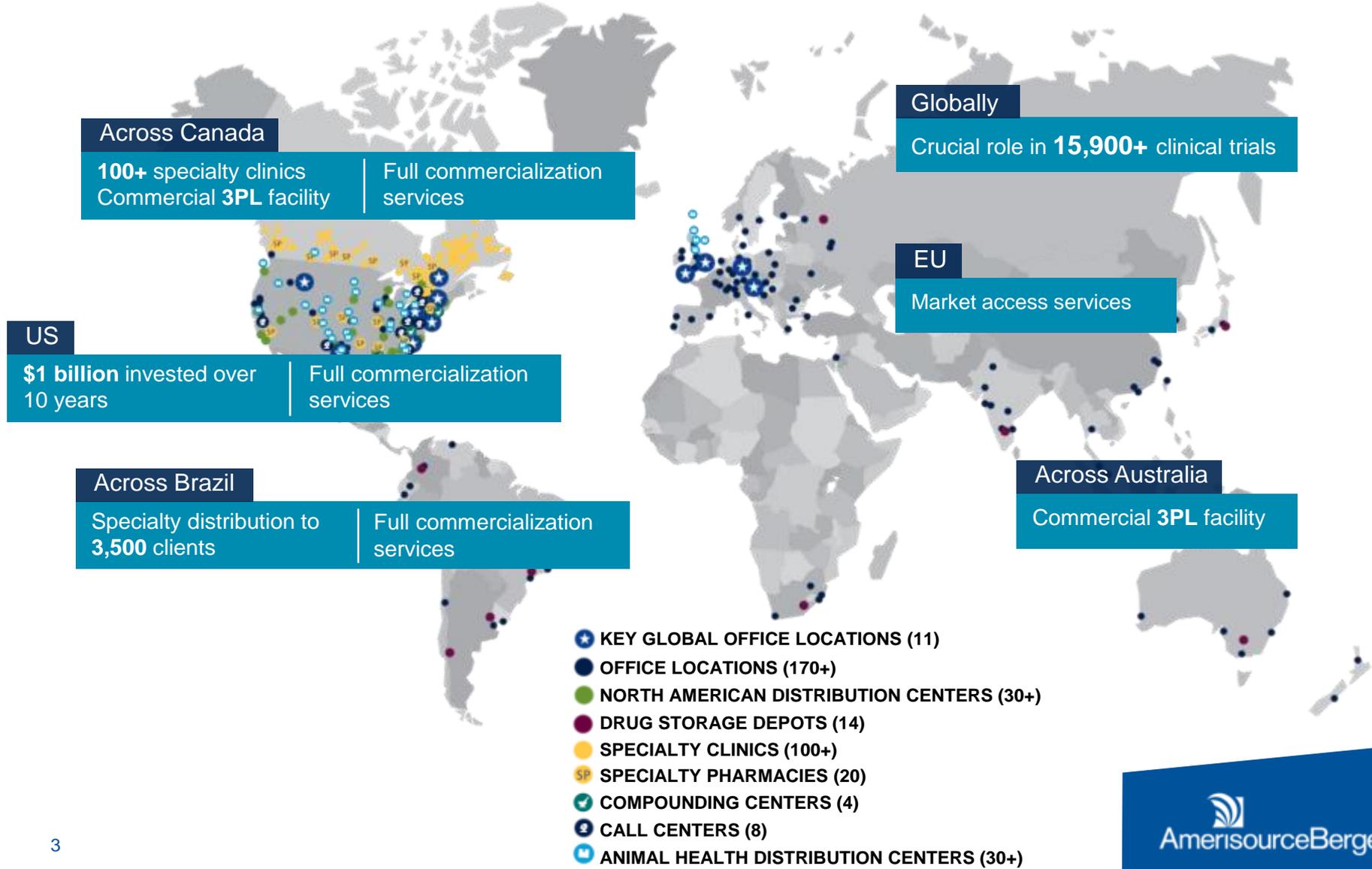
50+



**Countries with a
Local Presence**

Growing knowledge
of market-specific
healthcare
environments

AmerisourceBergen Footprint





Our Purpose:

We are united in our responsibility to create healthier futures

Operating the backbone of the healthcare supply chain

- 3M+ medication units shipped per day
- Tens of thousands of healthcare provider customers served
- 50,000+ managed products
- Hundreds of millions of dollars in transactions managed daily
- Collaborative partnerships with every major pharmaceutical manufacturer

Maximizing our impact at the center of healthcare delivery

Pharma Manufacturers

Product sourcing, distribution and commercialization services across all product types, including:

- Brand
- Generic
- Specialty
- Biosimilar
- Over the counter (OTC)
- Medical devices



Healthcare Providers

Providing pharmaceuticals, healthcare products and business services that enable quality care across all sites, including:

- Community and independent pharmacies
- Specialty pharmacies
- Pharmacy benefit managers (PBMs)
- Health systems
- Alternate sites of care
- Physician practices
- Veterinary clinics
- Livestock producers and animal health dealers

Product Shortages

A concerning trend

The number of unavailable or allocated items nearly doubled in 2017-2018 due to industry issues.

- Increased to nearly 4,800 items

The most significant increase in the count of unavailable products (31%) occurred from October 2017 to January 2018, and that has caused a dramatic downturn in the customer experience. The market has not improved.

Product Shortages

Observed industry challenges from our perspective



Supplier Manufacturing Issues

- Issues getting Active Pharmaceutical Ingredient (API)
- Issues at production facilities, including:
 - Machinery
 - Drug Supply Chain Security Act (DSCSA) implementation
 - Packaging
- Weather and natural disasters have impeded product shipment
 - Hurricanes impacted production, specifically in Puerto Rico with Baxter injectable



Manufacturer Pricing Pressures

- Inability to increase price due to negative press coverage
- Approval of additional ANDAs result in more competition on pricing and SKU rationalization
- There may be new suppliers coming into the market on some items, therefore some old suppliers see this and get out if the item is not very profitable



Overall Industry Pressures

- Fewer competitors in the market and more aggressive formulary bid processes mean more margin pressure for the suppliers and SKU rationalization
- Building full resilience and redundancy in manufacturing capability / maintaining a large quantity of 'safety stock' is not economically feasible



FDA, DEA and Regulatory Pressures

- Manufacturing issues resulting in warning letters and/or regulatory actions
- DEA annual allotment quotas for controlled substances

5 Things We are Doing to Manage the Market Shortages

What you need to know from our Product Access Task Force

#1

Daily review of omits related to market shortage items for potential allocation

(Back order reports, shipping reports, public information sources, FDA Drug Shortage Program data)

#2

Systematically add days of inventory to items related to market shortage items

#3

Injectable supplier meetings to discuss strategies for recovery – although the market shows little sign of improvement in the near term

#4

Review of supplier allocation practices to ensure ABC gets its' fair share at the right time

#5

Internal transfer of market shortage items to balance the DCs based on item recovery dates – very limited opportunities due to severity of shortages

AmerisourceBergen's Fair Share Allocation Program

Managing product availability / customer demand / patient needs

Applicable to customers using ABC as their primary supplier

- Secondary customers are not eligible

For short-supply product, each ABC customer is allocated an equitable portion based upon the customer's order history

- Sophisticated formula for tracking historic demand
- Accounts for seasonal demand changes
- Discourages stockpiling by a small number of customers
- Ensures that smaller customers are not shut out completely

Global Business Resilience

Proactively safeguarding the interests of patients, associates, customers, key stakeholders, company reputation, brands, assets and value-creating activities by minimizing potential losses and ensuring continuity of critical business functions in the event of an unplanned service interruption or disaster



Common Challenges During Responses to Emergencies

Infrastructure

- Power, Telecommunications
- Fuel Availability

Access

- Curfews, Roadblocks
- Credentialing

Coordination

- Communications
- Lack of awareness of Private Sector partners and their role in ESF-8 (Public Health and Medical Services)



AmerisourceBergen®

Where knowledge,
reach and partnership
shape healthcare delivery.