

Dynamics of the Pharmaceutical Marketplace

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Agenda

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 - 3** Opportunities for Community Pharmacy
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Introduction & Perspective



AmerisourceBergen
helps people access
the healthcare
products they need.

In the process, we
enable the daily
improvement of
global health.

Our company: By the numbers

\$147B



**2016
Revenue**

Growth aligned with
our customers'
long-term success

19,000+



**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

We are here – at the center of healthcare delivery

Pharma Manufacturers

Purchase distribution and commercialization services across all product types, including:

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



Healthcare Providers

Purchase pharmaceuticals and healthcare products to provide to patients across all sites of care, including:

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

Sourcing and distribution

At the core of our business and your success

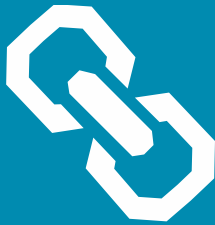


We drive access
to products

- Single point of access for providers
- Serving 50,000+ facilities in human health and animal health
- Largest distributor of specialty products in the United States

Sourcing and distribution

At the core of our business and your success



We enable a financially stable, secure supply chain.

- Billions of dollars annually in receivables and payables management
- Vigilant validation of products and customers
- Data and analytics for informed decision-making

Sourcing and distribution

At the core of our business and your success



We innovate and
scale for our
business partners.

- Supply chain partners to manufacturers of all sizes
- Customers nationwide across all classes of trade
- National network of advanced distribution centers

Improving performance beyond distribution

For healthcare products manufacturers



The industry's largest range of integrated commercialization services.

We help solve challenges that include:

- Clinical trial optimization
- Product approval and coverage
- Scalability of logistics and infrastructure
- Prescriber awareness and product uptake
- Patient adherence and compliance
- Understanding and impacting product performance

Improving performance beyond distribution

For pharmacies, physician practices, health systems & veterinary practices



Solutions for efficiency,
growth and quality care.

We help solve challenges that include:

- Improving margins without compromising care
- Increasing community engagement
- Investing intelligently in the right technologies
- Managing product inventory effectively
- Maximizing staff productivity
- Amplifying voices in the legislative and regulatory environment

Good Neighbor Pharmacy



For more than **30 years**, *Good Neighbor Pharmacy* has been committed to the future of independent pharmacy by providing marketing tools and business support solutions to ensure their long-term viability.

- The **6th** largest retail pharmacy chain in the U.S. and one of the largest networks of independent pharmacies
- More than **2,800** members in the U.S., including: Alaska, Hawaii, Guam, Puerto Rico and the U.S. Virgin Islands
- J.D. Power rated *Good Neighbor Pharmacy* “Highest in Customer Satisfaction” – **2013, 2014** and **2015**



We understand the challenges of community pharmacy

Our **Good Neighbor Pharmacy** Mission:

We unite strong independent stores under one brand to leverage our scale, expertise and insights to drive better business decisions, increase growth and profitability and enhance patient care in local communities.

Locally owned. Locally operated.



Locally loved.

Key trends and challenges of the pharmaceutical marketplace

Unprecedented time of change for
the pharmaceutical industry

Reimbursement pressures

Growth of specialty products

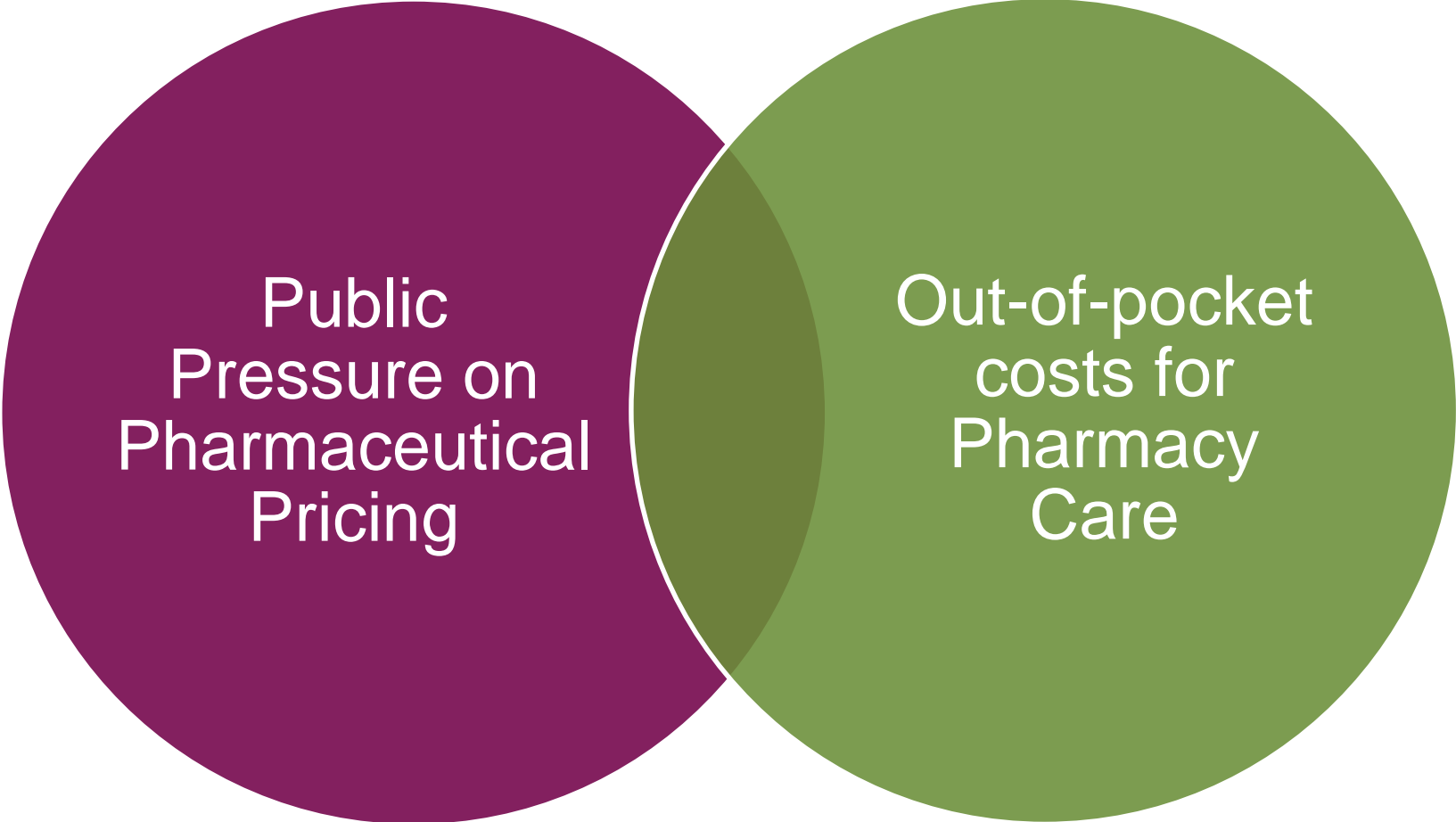
End of the generic wave

Market consolidation

Pace of change and uncertainty

What feels really different about the pharmaceutical marketplace?

Shifting of pharmacy costs to patients has changed the game



Public
Pressure on
Pharmaceutical
Pricing

Out-of-pocket
costs for
Pharmacy
Care

Healthcare 2020

Healthcare Financial Management Association (HFMA) has identified 4 key health care trends



Transition
to Value



Consumerism



Consolidation



Innovation

Consumerism

Key trend for pharmacy

- Consumers are paying more out of pocket for healthcare, and that changes everything

Increased patient cost sharing at point of service

Shift to outcomes-based payments

Turning patients into “shoppers”

Improving the patient experience

Consumerism is a value-seeking machine

- How do we provide the best care at the lowest prices in the most customer-friendly way?
- What is the patient experience? What is the patient financial experience?
- Meeting consumer needs is essential for optimal care management – what do your customers want?
- Examples:
 - > Pharmacies aligned or embedded in health systems, hospitals and medical clinics
 - > Pharmacies aligned to clinics or urgent care
 - > Pharmacies as destinations for health and related needs

Consumerism and HDHPs

High Deductible Health Plans (HDHPs) are fueling consumerism

- HDHPs are continuing to gain momentum
 - > In 2015, 24% of all workers were enrolled in a HDHP with a deductible of at least \$1,300/\$2,600 for Individual/Family.
 - > By 2020, nearly half of all employers are expected to only offer a HDHP
 - > Most individuals in the health exchanges are opting for HDHPs. The average for 2016 was \$5,765 for Bronze and \$3,064 for Silver plans
- Customer awareness of drug prices
- New pressure for pharmacy to help patients understand pharmacy benefits and cost impact of prescriptions
- New focus on OTC options/alternatives
- Focus on health and wellness

Consumerism and value-based care

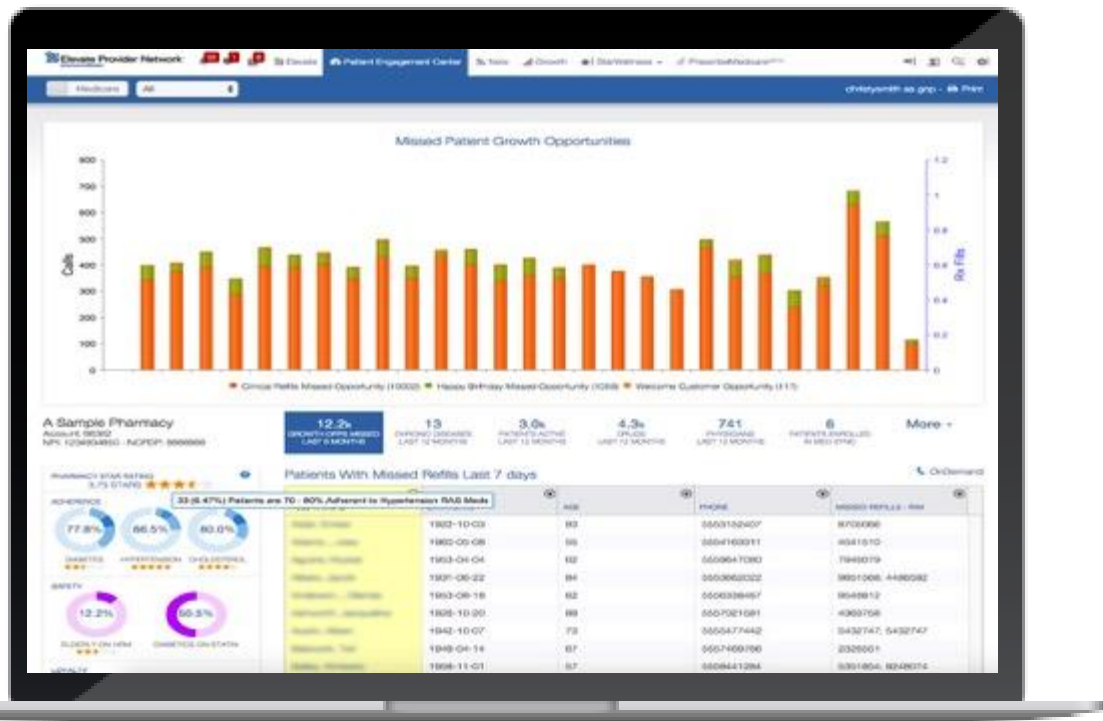
Connection is not as obvious

- Value and outcomes based payments and incentives require patient engagement
- New payment models are creating new service models.
 - United Healthcare's Diabetes Health Plan
 - Free or reduced cost-sharing for certain services, medications and supplies
 - Patient guidelines, monitoring and wellness programs
- Star ratings require new services support patient adherence

Patient engagement center



- The pharmacist can view his/her score on all Star Ratings measures
- Easily identify patients that are underperforming and provide additional support
- Instantly fax physicians for medication use interventions
- Conduct MTM with one-click access to MirixaPro



Understanding the individual consumer

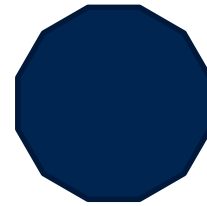
Listening to consumers and being open to change

- Consumer insights will be key to continuous improvement
 - How are you listening to customers?
- On-demand access and convenience
 - Access and hours of operations
 - Front of store is critical to overall experience
 - Can you use price sensitivity to develop cash prices for “shoppable” items
- What are related needs that can change the customer experience?
 - Telemedicine visits
 - > Example: Walgreens and MDLIVE virtual doctor service

Opportunities for Community Pharmacy

#1. Front of store opportunities

Start with the consumer



- Since reimbursement pressure appears likely to continue; what are options to optimize overall economics?
- Front of store margins and expanded growth
- Point of sale data and dashboards
- Special promotions and pricing
- Wellness and OTC consults
- Trust expands beyond the counter

An enhanced promotional strategy

TPRs are driving a bigger basket and conversion

Enhanced TPR endcap driven by item compliance and owner education



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#2. Community needs and specialty care

Align with physician community needs

- Flu shots and immunizations
- Specialty care that is oriented to local needs and issues:
 - Identify unmet needs
 - Specialty oral and self-administered injectable treatments are key opportunity
- Center of excellence for areas like diabetes includes focus on both pharmacy and front of store needs

#3. Quality measures and patient experience

Trusted source for patients and physicians

- Star ratings and quality measures
- Patient engagement
- Patient experience and advocacy
 - Extra few minutes to support patient questions on their pharmacy benefits will drive patient loyalty and satisfaction

Insight session: Interactive Discussion on Ideas and Opportunities for Community Pharmacy given the Changing Pharmaceutical Marketplace

A photograph of a pharmacist in a white lab coat smiling at a customer in a pharmacy. The pharmacist is standing behind a counter, and the customer is leaning over the counter. The background shows shelves of medicine and other pharmacy staff. The image is overlaid with a semi-transparent blue rectangle containing text.

Change is an Opportunity

“You’re looking at a culture change that’s coming, whether its this year or 5 years or 10 years. The industry has to see this coming. The salvation of the industry – the ones that will survive after this culture-change tsunami has gone by – are the ones that understand their customers.”

- Pat Mastors, The Patients’ View Institute

Thank you.



AmerisourceBergen®

Where knowledge,
reach and partnership
shape healthcare delivery.