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Want improved trading partner relationships? Look to the data.

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When I arrived at ValueCentric in 2006, it was a simpler time. Everyone carried a BlackBerry, Facebook was still just for college kids, and data analysis was for nerds. While I'm sure there's plenty of data to explain the rise of Facebook and fall of Blackberry, my focus here is to present how data has shaped advancements in the pharma value chain. Supply chain data has always been useful as a means for manufacturers to hold wholesalers to account with the distribution services they provide. Traditionally the data was kept in a corner, its value rarely explored outside of the niche fee for service use case - but times have changed.

Looking back on the changes to the pharma value chain over the past handful of years, it becomes apparent that ready access to data has been central to its evolution. One wonders whether better data helped improve distribution relationships, or if it was the other way around. It's my assertion that an increased focus on data has resulted in an easier and more effective delivery of products to patients than we've ever seen before.

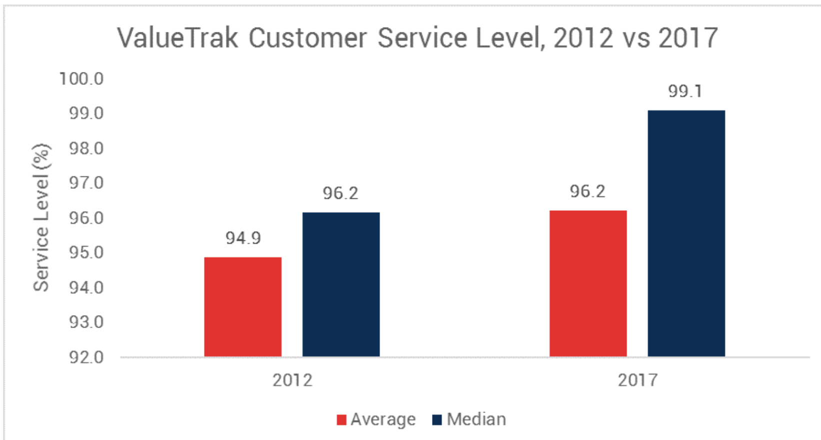
Not your father's Scorecard

Fee-for-Service (FFS) was the industry's answer to move on from buy-and-hold strategies in the drug wholesale business, and data was meant to serve as the evidence. As a result, first generation fee for service agreements measured fundamental performance metrics like data "existence" (i.e. it was sent) and Key Performance Indicators (KPIs) encouraged basic control around metrics like Days on Hand and demand variability. Those who were quick to jump into the second phase of channel data monitoring were able to benefit from more sophisticated metrics such as service level monitoring and data timeliness and completeness, including 852 Inventory & Sales/867 Detailed Sales reconciliation. For a manufacturer, these were useful metrics if you wanted to hold your wholesaler's feet to the fire, but early in the data management evolution, these measures served more to exercise IT departments than to challenge distribution strategies or foster efficient distributor relationships.

Considering the FFS agreements of today and their evolution (and I see this because ValueTrak performs the Scorecarding for a large number of them), what makes this generation of agreements stand out is that they're all unique! One would think agreements would trend towards uniformity, but in fact the opposite is true. Manufacturers realize their products offer a unique set of distribution challenges and their distribution partners are happy to oblige those individualized needs by providing a customized service to meet the requirements of those products. As a result, ValueCentric has customized and configured a myriad of different performance measures into the ValueTrak platform to support agreements - including pay-per-pick fees and performance incentives for wholesalers who leverage national distribution centers, ultimately maximizing manufacturer efficiency. We see a whole new set of data with specialty drugs, where it's common to see therapy-specific measures down to the patient monitoring level - including Medication Possession Ratio, Time to First Fill, Time to Prior Authorization, and Patient Status Aging, all of which monitor HUB and provider efficiency and effectiveness. Data transparency at this level would have been unheard of just a few short years ago, but it has opened the door to new opportunities for manufacturers to incentivize efficiency and deliver optimal patient service.

What gets measured, gets improved

Sometimes identifying a metric is enough to ensure it improves, but adding financial motivators is a sure way to improve it faster. Looking back over the last five years at the vast amount of inventory data available in ValueTrak, an amazing trend emerges in the area of Service Level, one of those "early data" measures. In 2012, the median service level observed by a manufacturer in ValueTrak was 96.2% with an average service level of 94.9%, indicating a large percentage of lost sales and a number of manufacturers seeing abysmal service levels, bringing the average down. Today, the median service level of a ValueTrak manufacturer has risen to an astonishing 99.1% with an average of 96.2%, indicating a reduction in lost sales at both the best and worst performing organizations. In fact, that equates to an annual reduction of 35M units in lost sales across the entire ValueCentric customer base.



While some of that improvement may be a product of the improved Service Level monitoring tools ValueTrak provides, I have to concede that much of it is a result of improved collaboration between partners practicing good data transparency.

For manufacturers paying attention, trading partners are providing new insights in old data

Most manufacturers have uncertainty and anxiety about their utilization at 340B entities. What many don't realize is how valuable existing data sets have become in gaining visibility sorely needed as the 340B program has expanded. Looking at the top 15 pharmaceutical wholesalers, six of them are providing significantly more visibility into 340B activity within their traditional 867 data today than they were even two years ago. Manufacturers who invest in data analytics solutions like ValueTrak will recognize identifiers like "340B", "PHS", and "DSH" (indicating Disproportionate Share Hospitals) on their 867 ship-to locations, which is useful in evaluating 340B accruals and identifying pharmacies abusing the program. Whether you view this as wholesalers valuing strong relationships with their manufacturers by providing enhanced data, or richer data strengthening the relationship, the correlation is undeniable.

DSCSA: The Data Garden of Eden

Years ago, stakeholders at all levels of the supply chain in the pharma industry realized a common enemy in counterfeit drugs. Represented by the HDA, an association which boasts significant membership on both sides of the aisle, the industry agreed that a product validationsolution founded on data was the best way to combat this common enemy and ultimately enhance partner relationships. As a result, the Drug Supply Chain Security Act (DSCSA) was born. Through a phased approach the law will mandate transparency in packaging and product information from the manufacturer down to the dispensing location. The future supply chain, a data transparency utopia, leaves no room for bad actors to bring in illicit product while providing exponential new business value to all parties - including complete visibility into pending returns and the ability to minimize the impact of recalls on the supply chain.

Although the vision is still several years from being truly realized, enhanced data transparency has already begun with the need for shared access to the GTIN registry as a starter to full serial number visibility. Origin, a platform hatched by industry stakeholders at all levels of the supply chain, epitomizes the strengthened partnerships, continuing the evolution in bringing manufacturers and wholesalers together, and is doing so with data transparency at the forefront.

Maybe a world of data transparency was just the catalyst our industry needed for pharmaceutical manufacturer and wholesaler relationships to improve. Or maybe there was nowhere to go but up from the early days of fee for service. Personally, I think it was the former, but maybe I'm biased – after all, I was working in data back when it was just for nerds and I still carried a BlackBerry. Regardless, one can't deny that data is everywhere, supply chain relationships have improved, and our industry is well positioned for that trend to continue. Have you considered how data will drive your next distribution strategy?