

WHITE PAPER

# Achieve more through data-driven decision-making



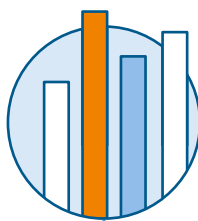
*You need stability, not just during times of market disruptions. As the health systems landscape continues to evolve and new challenges arise, it is more important than ever to focus on optimizing your supply chain. McKesson is committed to deploying insights & analytics capabilities that help achieve inventory solutions for customer partners.*

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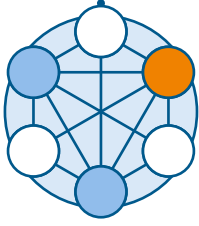
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Prescription drug shortages are an ongoing industrywide problem, and no distributor is immune to the challenges they pose. Drug shortages cost hospitals almost \$360 million annually in labor expenses. In addition, hospitals spend some \$230 million buying more expensive alternative medications when preferred generics are not available. These daily, persistent drug shortages force hospitals in the United States to dedicate more than 8.6 million hours of additional labor, at a cost of \$359 million annually.<sup>1</sup>

When it comes to industrywide drug shortages, all wholesalers face similar challenges. A partnership with McKesson can help by leveraging current capabilities at scale and building new ones that help hold suppliers more accountable to deliver your members the inventory needed, at the right time. McKesson's data-driven and digital capabilities streamline critical processes and provide greater product visibility and insights.



## More product availability with advanced analytics

*“While manufacturer shortages are not within the control of distributors, pharmacies still expect them to provide transparent and timely communication regarding any possible shortages in order to help health system pharmacies work proactively to find alternate sources, redistribute products within the health system or take other corrective actions. McKesson addresses this challenge by maintaining greater product availability during shortages, which allows its health system pharmacy customers to serve their patients with less disruption...”*

*From the Frost & Sullivan White Paper, “Delivering Better Patient Care While Boosting Pharmacy Efficiency.” (2020)*

With more visibility into product demand and critical items, our proprietary supply chain analytics tools provide inventory insights and supply chain data to more accurately forecast supply disruptions and support proactive decision making.



### Supplier accountability

With advanced analytics and machine learning, McKesson’s data scientists have developed more accurate forecasts to communicate demand to suppliers. This has driven significant improvement in McKesson’s ability to source the right levels of inventory, hold manufacturers accountable, and deliver on our commitments to our customers.

### More accurate demand forecasts

McKesson’s expanded data sets, and patent-pending inventory optimization methods with proprietary machine learning algorithms, help detect patient dispense demand patterns, seasonality, volatility, response to supply availability fluctuation, with sudden spikes or drops, regionally. This enables McKesson to more accurately forecast demand fluctuations in advance of customers’ needs, identify at-risk items and be ready with the inventory at the right place at the right time. Thanks to proprietary predictive machine learning, McKesson can make swift purchases of inventory ahead of disruptions and be ready to fulfill customer demand during forecasted disruptions.

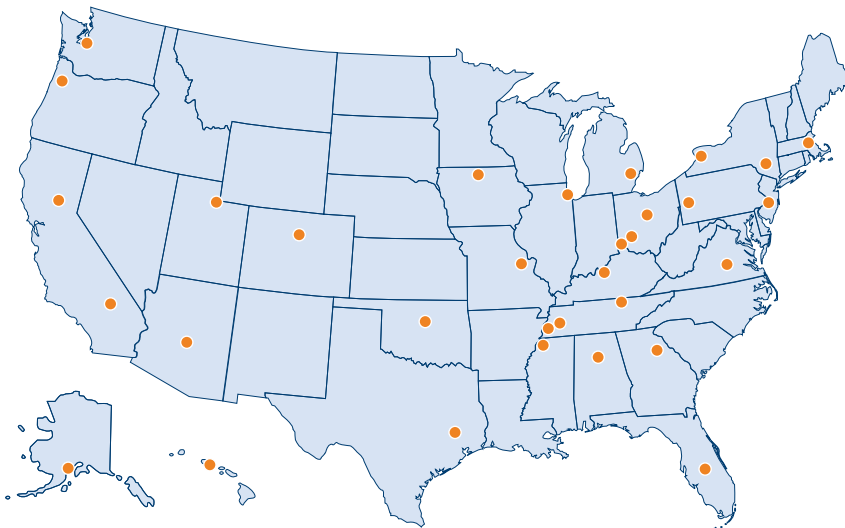


### Expanded program coverage

Unlock full sourcing capabilities to deliver a customized sourcing model based on your portfolio using our proprietary ClarusONE and NorthStar private label solutions. These allow us to secure supply at competitive pricing and develop a contract framework to secure partnerships with leading injectables suppliers, expanding your program coverage. Through McKesson partnerships, we have the supplier qualifications, insights, and scale to bring new players to the market. And with your partnership, we can build scale to further leverage our sourcing expertise and experience further.



*We partner with you to manage inventory across 30 distribution centers nationwide.*



### **Critical items inventory**

Your members need to secure an inventory of critical items, and McKesson can help provide the comfort of supply reserves without the cost and burden of physical supply stores. Our proprietary Compass program sequesters inventory of critical items requested by your members. We then work with you to manage inventory levels in our 30 distribution centers, reducing the burden of storage costs and resources at your member location(s). And with our extensive network, we are able to provide next day delivery with same day options.

### **Product tracking visibility**

To further improve shipping performance and streamline operations, McKesson has partnered with major carriers FedEx and UPS to establish a cloud-based platform for exchanging critical distribution data. This allows improved visibility of shipment status ETA with predictive shipment ETA and late status precognition insights to customers for a one-stop, real-time experience within our customer portal. This data will drive predictive analytics and process improvements to further enhance the customer experience.

### **End-to-end supply chain optimization**

Groundbreaking cloud-based data aggregation, supplier partnerships, machine learning and predictive analytics — coupled with proprietary algorithms that simulate network response — enables McKesson to provide unique end-to-end supply chain optimization and product shipment tracking visibility.

Expect more from your distribution partnership. Achieve more with McKesson.

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### **Sources:**

<sup>1</sup> "New Vizient Survey Finds Drug Shortages Cost Hospitals Just Under \$360M Annually in Labor Expenses." Vizient Press Release. 26 June 2019.

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