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California Board of Pharmacy Update

Dec. 12, 2006

Shay Reid
Vice President, Integrated Solutions

- Primary Business:
  - Service both pharmaceutical manufacturers and healthcare providers in the pharmaceutical supply channel.
  - Provide pharmaceutical distribution and related services designed to reduce cost and improve patient outcomes.
  - More than 40 distribution centers throughout the US and other international locations.
  - 100% of ~11,500 Rx Products are Purchased Directly from One of 400 Different Manufacturers.

- California Presence
  - Three (3) state of the art distribution centers
  - Approximately 800 employees
  - Deliver to more than 3,000 California

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California's Call to A New Frontier on March 16, 2006:

> *"We stand today on the edge of a new frontier,...a frontier of unknown opportunities and paths, a frontier of unfulfilled hopes and threats.... The new frontier...is not a set of promises, it is a set of challenges. It sums up not what I intend to offer the American people, but what I intend to ask of them."*
>
> John F. Kennedy – 1960 Presidential Campaign

California Asked the Pharmaceutical Industry For:

"Innovation to create a vision using available technology."

"Pioneers that can pave the way for others."

"Collaboration focused on patient safety."

"A milestone plan for adoption."

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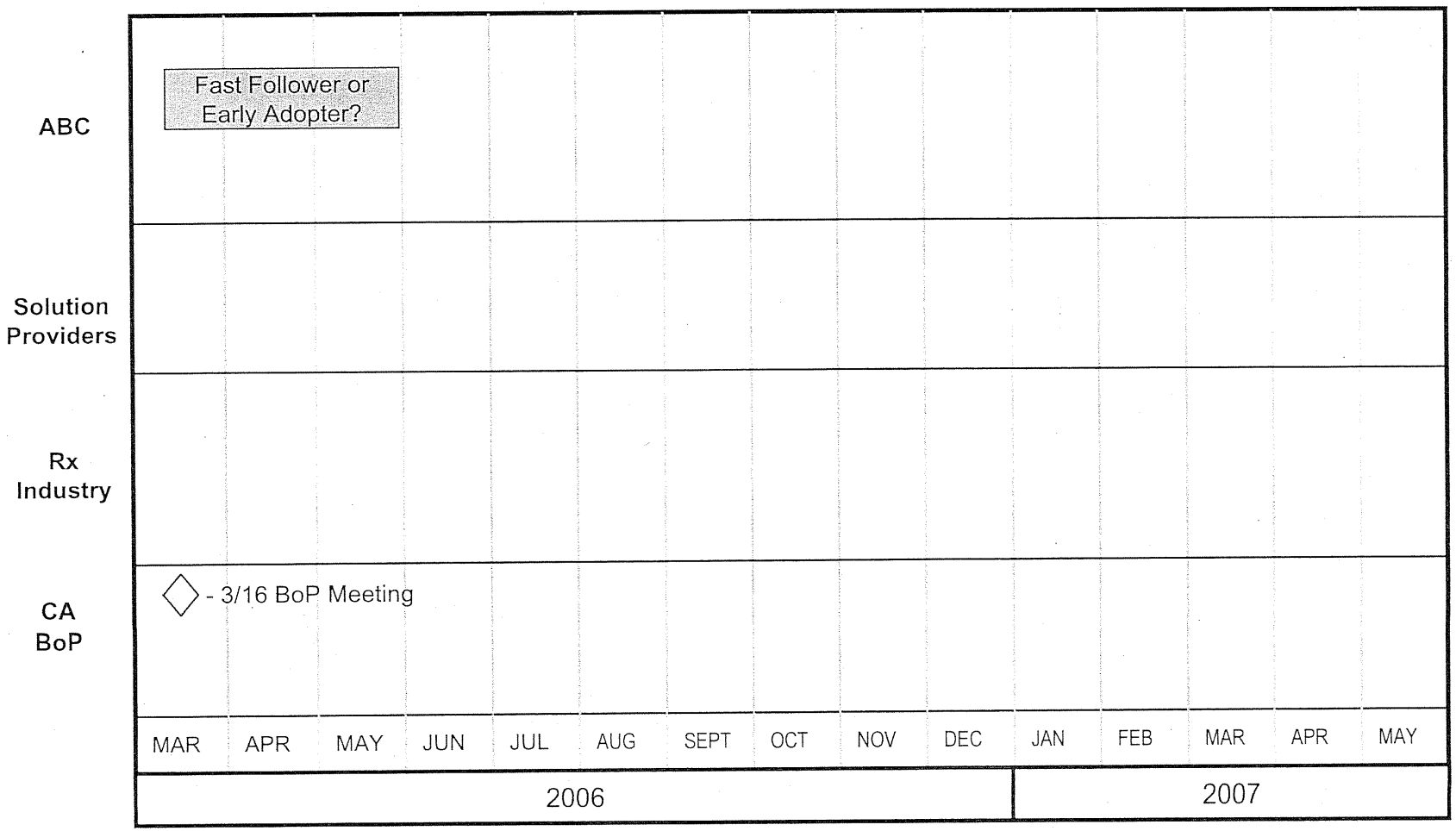
ABC's Decision:



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ABC Choice – Fast Follower or Early Adopter?

FAST FOLLOWER	EARLY ADOPTER
Wait for Answers	Develop a Vision
Standards Victim	Collaboration
Project Team	Cross Functional Task Force
Investment in Solution	Investment in Future
Compressed Project Schedule	Design – Build – Evaluate Cycle

ABC Decided To Answer California's Call for Early Adopters to:

- Innovate
- Pioneer
- Collaborate
- Plan

Toward a Focus of Greater Patient Safety

- Right Product
- Right Time
- Right Place
- Right Quantity
- Reasonable Cost

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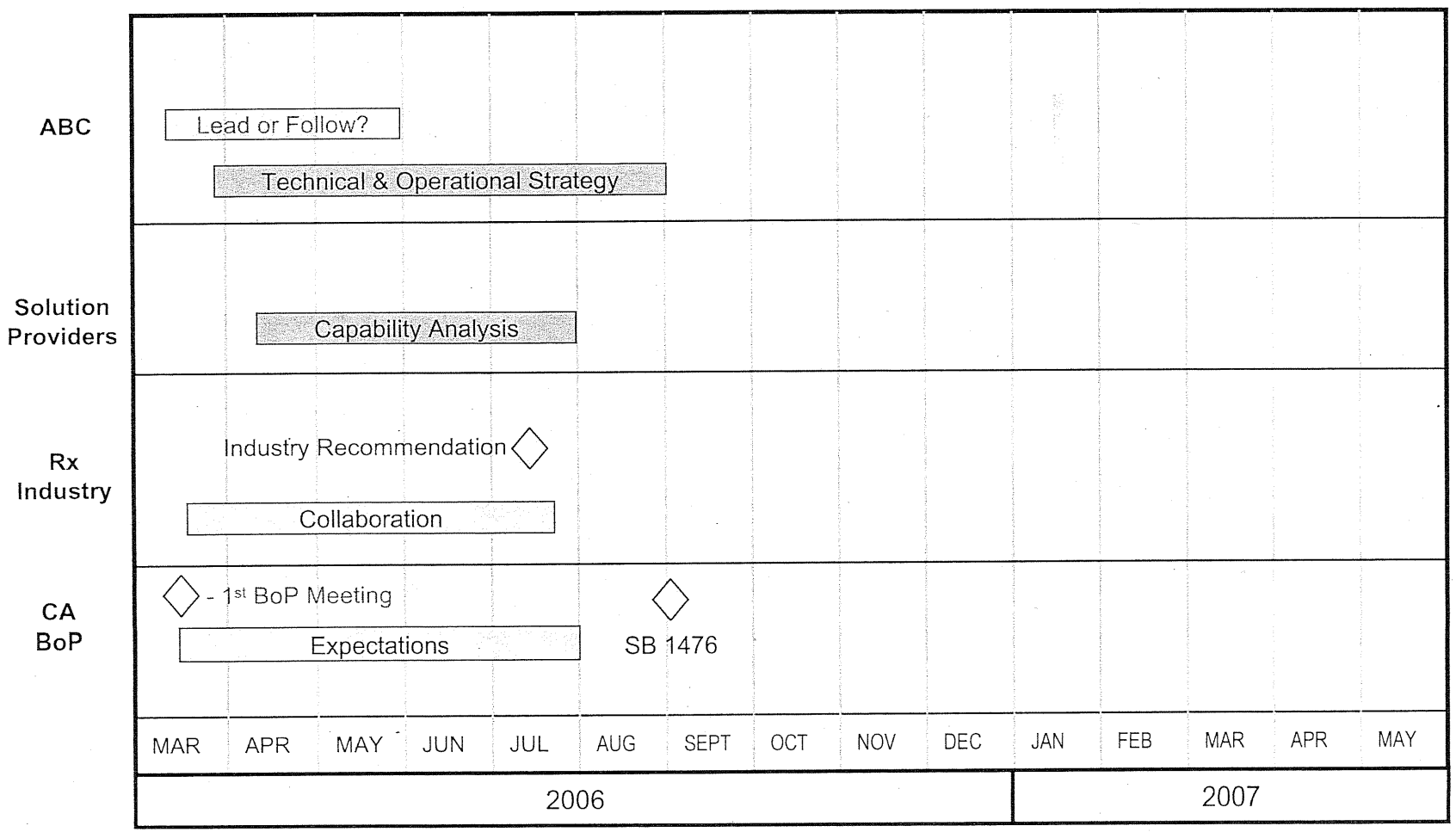
ABC's Plan to Innovate:



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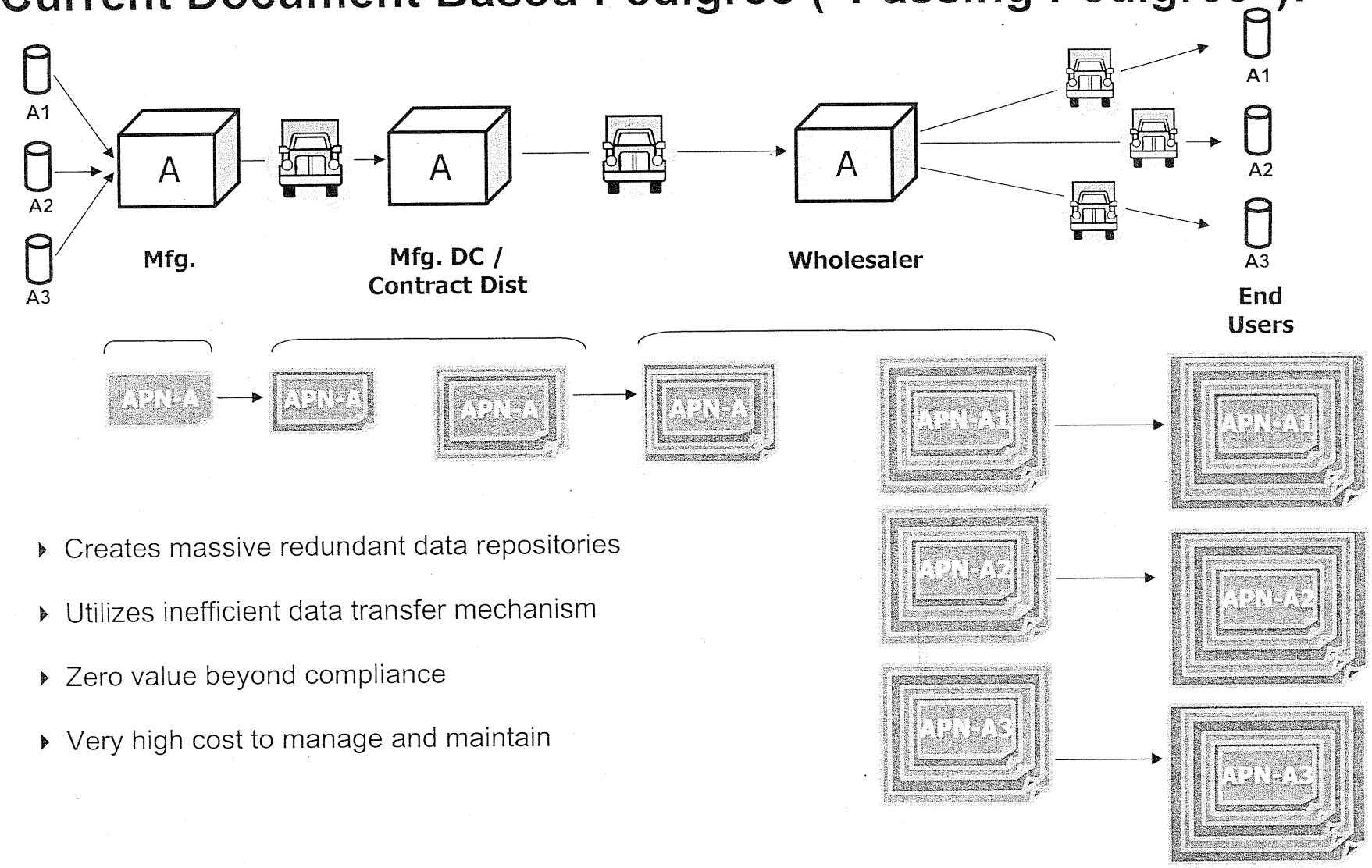
Current Document Based Pedigree ("Passing Pedigree"):



- Creates massive redundant data repositories
- Utilizes inefficient data transfer mechanism
- Zero value beyond compliance
- Very high cost to manage and maintain

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Current "Passing Pedigree" – Patient Safety Test:

Improvement

Right Product	Right Time	Right Place	Right Quantity	Reasonable Cost
• Ensures upstream authenticity			• Requires quantity verification of all product received	
• Lack of availability • Forced substitution	• Delays further distribution when exceptions occur	• Nothing to verify that product arrived at the right place		• Large cost related to storage and transmission. • Cost and complexity eliminated some lower cost product • No business case and no Return on Investment

Decline

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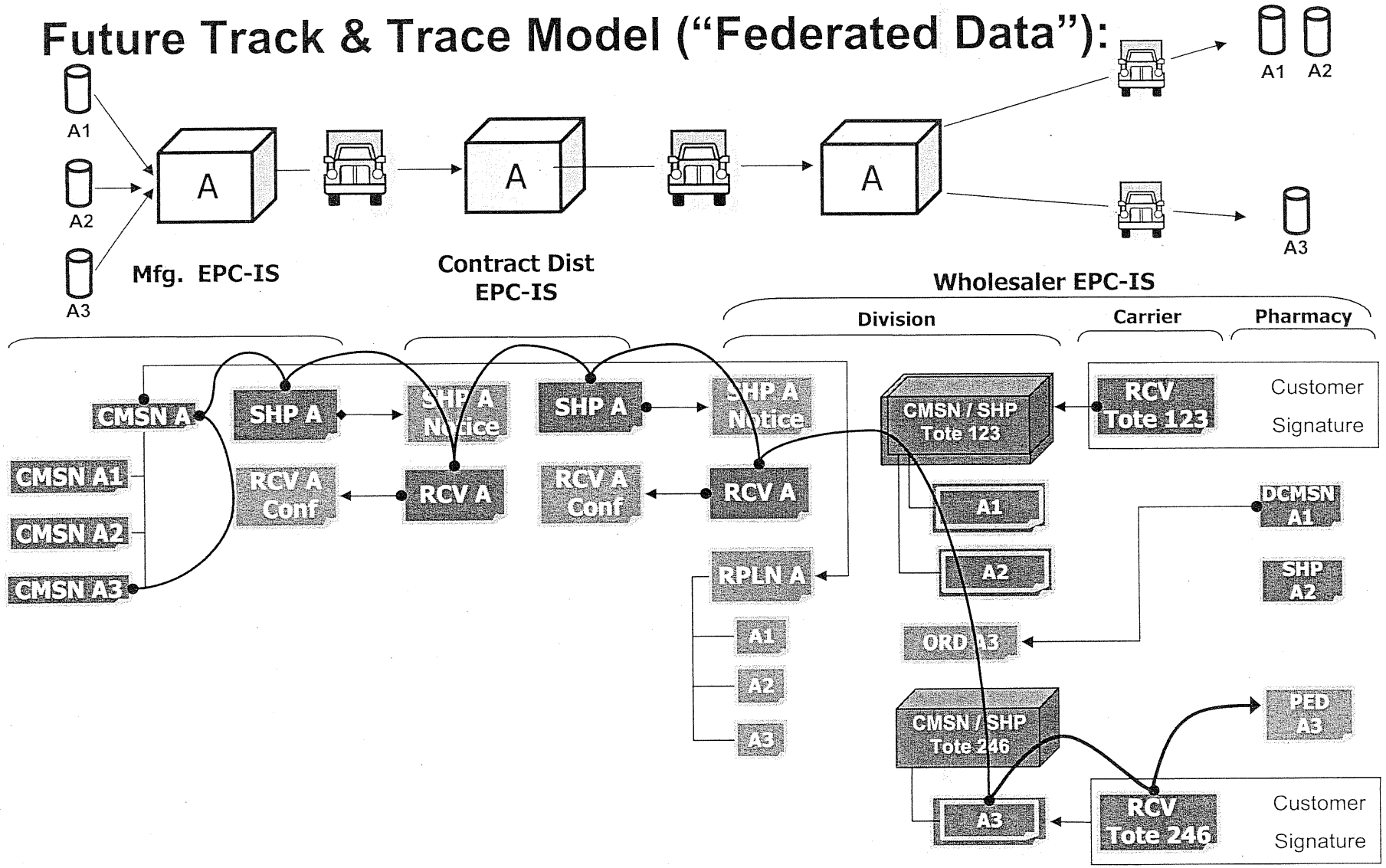
Future Track & Trace Model ("Federated Data"):



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Future Track & Trace Model – Patient Safety Test:

Improvement

Right Product	Right Time	Right Place	Right Quantity	Reasonable Cost
• Ensures upstream authenticity • Ensures downstream delivery • Mfg. visibility to inventory needs & usage	• Delivery tracking • Data to optimize transportation routes and forecast receiving • Auto ordering through supply chain when consumed	• Verification that product is delivered to the right place • Product redirection / decommission if wrong place	• Requires quantity verification of all product received. • Quantity mfg. and distributed based on product consumed	• Reduced Inventory • Drives industry to a "service" model • Reduction in handling • Return on capital investment.

Decline

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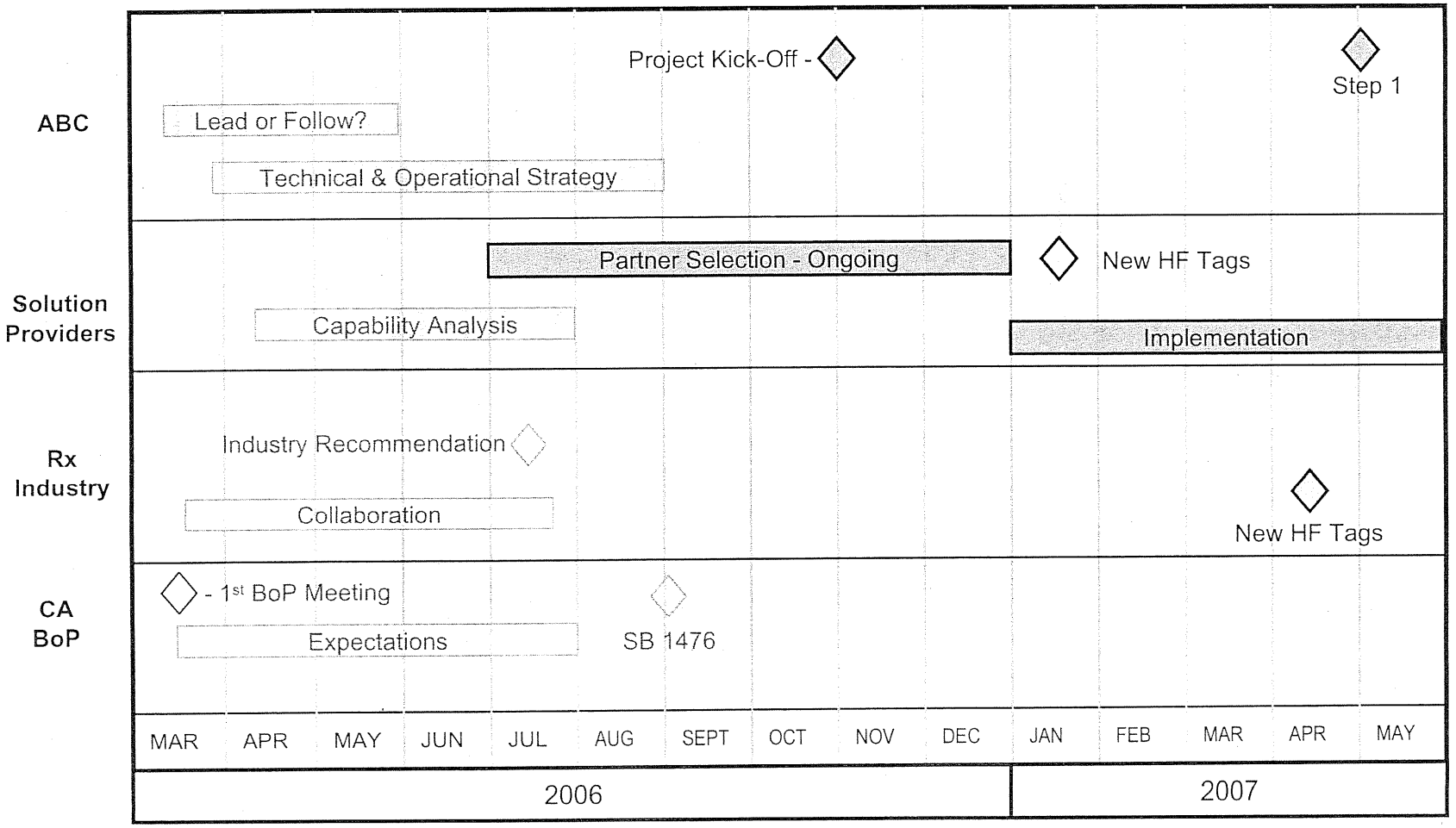
ABC's Plan to Pioneer:



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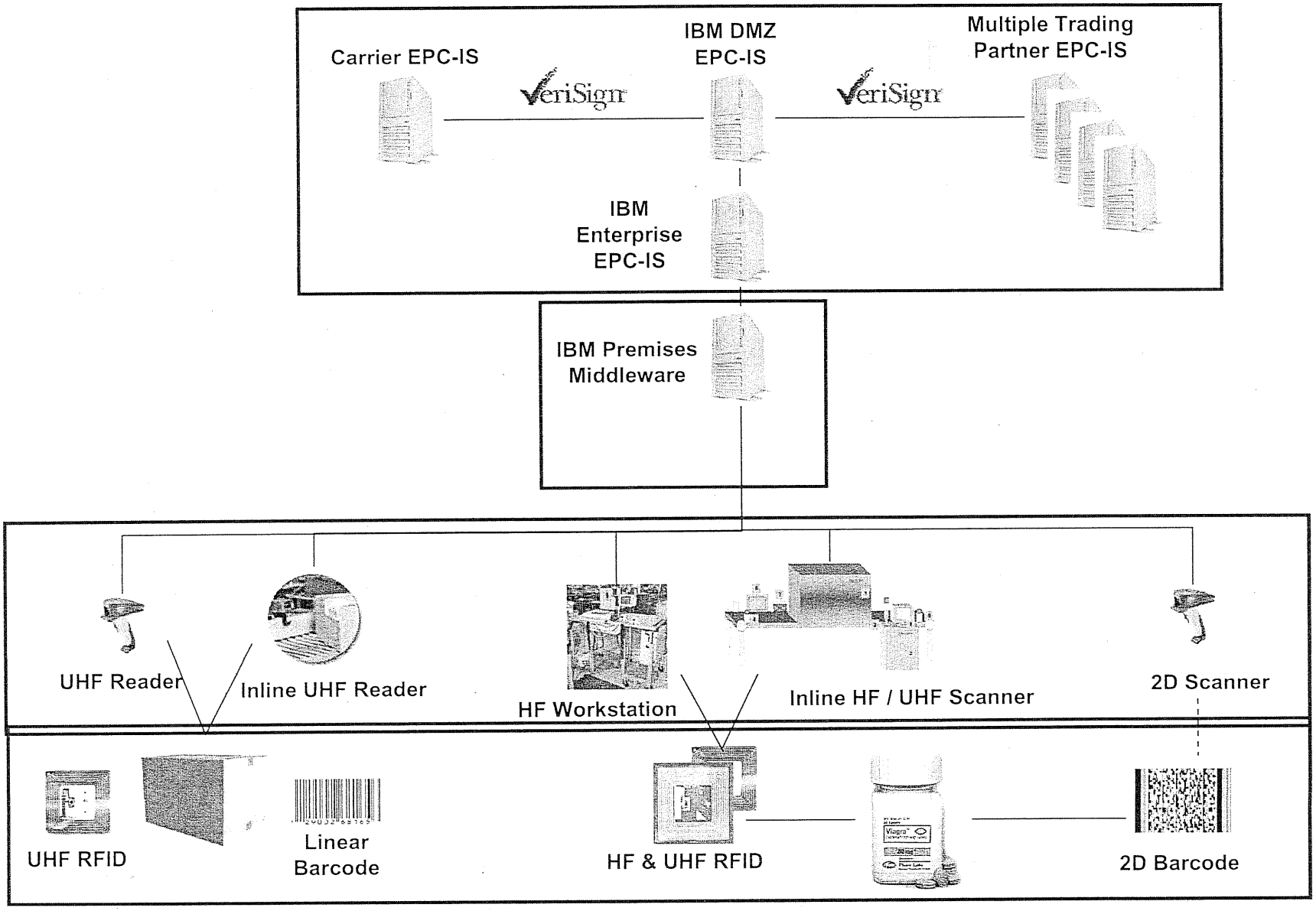

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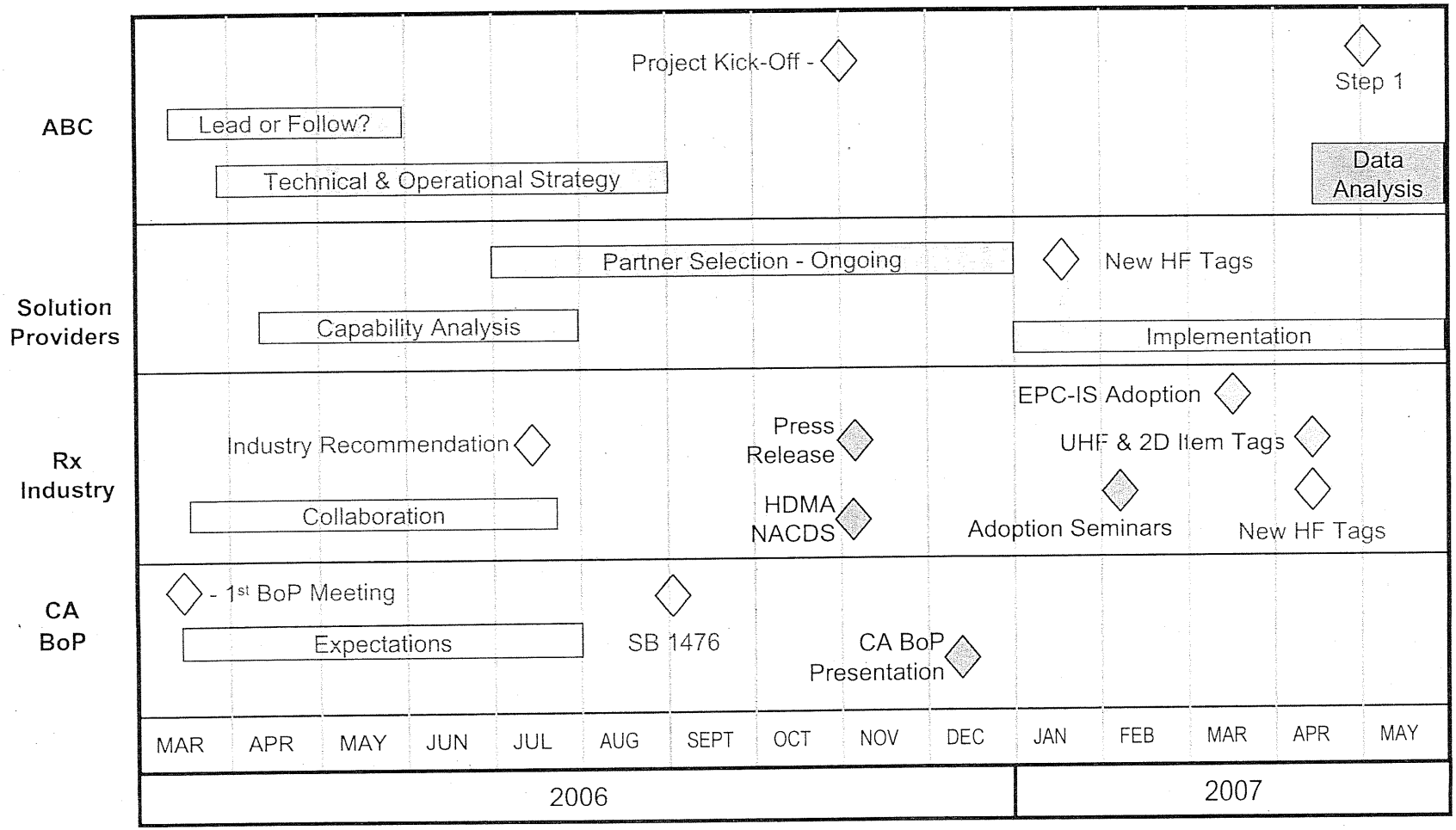
ABC's Plan to Collaborate:



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ABC Appreciates CA BoP Approach:

- A Cautious Drive Toward Industry Action
- Electronic Track & Trace Includes Entire Supply Chain
- Unique Item Level Identification
- Non Prescriptive Technology
- Flexibility For Inference

Questions?