

**Your Situation**

You are a McKesson representative calling on a prospective client. Your division of McKesson sells and distributes pharmaceuticals to retail pharmacies, hospitals, and health systems. Much of your business is with large chain pharmacies, but hospital pharmacies are a growth area for this year's plan. Porter Hospital is a high volume 220-bed facility located in central New Jersey and serves a mixed community of wealthy and less affluent individuals. This account would be a huge victory if you could bring them on as a client. Porter Hospital has been with Pharma Solutions Corporation (PSC) for the past eight years, but now the contractual agreement expires in six months.

You have been calling on Porter Hospital eight months or so, and while you think you have built great rapport, it's time to move the relationship along. Porter has recently welcomed a new Director of Pharmacy (DOP) to the facility, Alex Young, with whom you have met with twice. S/he mentioned to you that while "not crazy about PSC," s/he's simply too busy to deal with the issue right now and will likely just re-sign with PSC. The previous DOP left four months ago to "spend more time with family", but rumor has it that it was due to a reprimand this person received because of not meeting pharmacy budgets and a medicine stock out. You have found Alex to be very capable, but have the gut feeling s/he's risk averse and not going to "rock the boat".

Over the past year you have collected the following information pertaining to Porter Hospital's pharmaceutical operation:

	<b>Porter</b>	<b>Industry</b>
Annual	\$16 million (\$12 million acute care; \$4 million	220 beds = ~\$10M - this is a high volume facility for its
Number of	Two - One acute care hospital and one on-site outpatient	Outpatient pharmacy is progressive and could be growth 340B
Inventory	8 turns approximately per	Average = 12-14, Best in class = 16-18
Ordering	Manual written	Automated process based on historical usage data can turn, reduce inventory carrying costs and improve patient (right medicine, right
Price	Performed	Electronic process to save time and increase
Accounts	"Paper-based" method where invoices are entered into the manually	Electronic process to save time and increase
% Spent on Generics	10	12-14%, generics are more profitable. Increasing utilization can reduce drug spend and increase

**Your Task**

You have an appointment with the DOP because of your persistence and probably because the new DOP wants to see if you can help. Her/his time is very valuable and your appointment is only for 15 minutes.

It is not feasible to gather information and close a potentially complex sale like this in only 15 minutes. Thus, gather the information you need, establish trust, your expertise, and potential solutions in the buyer's mind. Your goal is to obtain a follow-up appointment to present solutions based on Porter Hospital's perceived needs, and McKesson's core competencies and leadership.

**McKesson Corporation Information ([www.mckesson.com](http://www.mckesson.com))**

McKesson's vision is to help create a healthcare system where quality is higher, mistakes are fewer, and costs are lower. Headquartered in San Francisco, Calif., McKesson employs over 32,000 people across the nation and around the world delivering vital medicines, medical supplies, and health information technology solutions. Founded 174 years ago, McKesson is a \$102 billion firm ranked 18<sup>th</sup> on the Fortune 500 list.

McKesson is the largest pharmaceutical distributor in North America. Daily, McKesson ships one-third of the medicines used in North America. Their distribution excellence is based on electronic order processing, asset management tools, a commitment to Six Sigma methodology, order accuracy, and supply chain safety.

At the core of the business is McKesson's pharmaceutical distribution. The operations support customers around the country day and night through 30 secure and state-of-the-art distribution centers. Driven by a commitment to quality and a Six Sigma philosophy, McKesson ensures uninterrupted and high-quality business operations with the following:

- ∞ Industry-leading service levels and contract pricing integrity allow them to meet customers' needs by delivering the right product, at the right price, at the right time
- ∞ Precise order accuracy and safety with their Smithsonian Award-winning warehouse management system Acumax® technology continuously tracks products using bar code technology at a 99.9% accuracy rating
- ∞ Extensive stock of critical pharmaceuticals and other healthcare products; inventory supported by access to more than 3,800 suppliers
- ∞ The fastest, most dependable delivery methods, via strong relationships with multiple transportation companies and utilization of all available distribution resources

McKesson's world-class account management services and innovative technology solutions help ensure optimal inventory and availability of mission-critical medications, drive-increased inventory turns, reduce costly re-work, and ultimately decrease time spent ordering so pharmacy professionals can spend more time doing what they do best – delivering quality care.

#### **Additional information about valuable McKesson programs:**

1. **Pharmacy Asset Management:** Asset Management transforms pharmacy procurement processes in order to achieve higher inventory turns and significant time savings. The Asset Management program leverages McKesson's Supply Management Online procurement system to:
  - ∞ Use sophisticated analytics to focus the buyer's time on managing "A items" that represent 70-80% of a pharmacy's inventory assets
  - ∞ Capitalize on purchase history trends to guide ordering
  - ∞ Maximize contract compliance resulting in a lower drug spend and increased profitability
  - ∞ Minimize time and effort spent on ordering allowing staff to focus on clinical functions
  - ∞ Streamline the product receiving process to save time and increase accuracy
2. **Supply Management Online (SMO):** This secure, web-based system enables customers to better manage their inventory and control drug spending by electronic ordering, accessing real-time pricing and inventory levels, tracking order status, and managing McKesson payables. SMO is fully integrated into McKesson distribution centers and helps streamline the procurement process by providing core ordering functionality, plus access to real-time distribution center inventory levels and order status tracking. SMO also facilitates a paperless A/P process, with access to real-time financial information enabling online review, approval, and payment of McKesson invoices. Finally, it provides reporting of financial trends, purchasing patterns, and the resulting impact on a pharmacy's budget and can run a myriad of "canned" and customized reports.
3. **McKesson 340B Solution Suite:** This federal 340B Drug Pricing Program helps providers manage the cost of serving vulnerable and low-income patients. 340B contracts represent a significant opportunity for hospitals, community health centers, and clinics to improve financial and clinical outcomes. However, taking full advantage of the many benefits offered by the 340B Drug Pricing Program can be challenged by the regulatory and audit requirements that complicate participation rather than facilitate it. McKesson offers support and expertise to help navigate the complexities of administering the 340B program.