

2020 Vizient Pharmacy Network Program Annual Report

(for external distribution)



“We have been so excited to see the continued expansion of the Pharmacy Network Program in 2020 with the addition of the Vizient Oncology Network and additional large health care providers. As we continue to grow, we are proud of not only the contracting value we deliver but also our ability to bring leaders together to share best practices in clinical care. Our Pharmacy Network Strategic Advisory Group continues to build collaboration and consensus to create the roadmap for the pharmacy networks and we are looking forward to more tremendous milestones in 2021 and beyond.”

Molly Matthews

Senior Vice President and General Manager, Sales
Vizient

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2020 review: achieving member value in the new normal



Ginger Ertel

Vice President,
Pharmacy Member Services
Vizient

Welcome to the Vizient® Pharmacy Network Program 2020 Annual Report. This past year has been anything but uneventful, as the COVID-19 pandemic compelled the move to a completely virtual workplace and the introduction of video conferencing as a routine business function (resulting in a shortage of webcams). Both the Vizient team and our members adjusted, learning to balance work, home life, and extended family needs.

The Pharmacy Network Program team conducted a significant amount of work remotely even before the pandemic began, although some meetings and the annual network conferences were held in person. Over the past year, the team compensated for the lack of face-to-face interactions by developing new ways to conduct business and creating new opportunities for members to network and share best practices, providing an effective environment for member-driven sharing on timely issues such as COVID-19 vaccines and other therapies. Working together, network members and the Vizient team achieved significant milestones in driving value, especially under the circumstances. This report details these successful accomplishments.

The Pharmacy Network Program supported both the Vizient Center for Pharmacy Practice Excellence and the Vizient COVID-19 Vaccine Task Force in developing an array of COVID-19-related resources; supported pandemic recovery efforts, member-to-member collaboration and Vizient advocacy initiatives; and provided training — all while continuing to focus on planned contract negotiations, renewals, requests for proposals and enhancements. The pharmacy networks executed 37 multinetwork program agreements in 2020, with total member savings exceeding \$276 million — surpassing our goal of \$240 million.

The newly established Pharmacy Network Strategic Advisory Group (SAG) did not allow the pandemic to slow its work, either. This group, which represents all of the pharmacy networks, focused on strategy and future initiatives across the networks through three virtual meetings in 2020, while also transitioning the multinetwork program plan from annual to a rolling 18-month approach.

In addition to these strategic initiatives, the Pharmacy Network Program supported our members with educational offerings throughout the year, focused on topics like the biosimilar trastuzumab and wound care management.

On behalf of our 18 networks (and growing), thank you for your continued support of the Vizient Pharmacy Network Program.

Vizient Pharmacy Network Program

Our purpose

The Vizient Pharmacy Network Program is an alliance of member hospitals that work collaboratively, supported by the Vizient Pharmacy Network Program team, to drive value and unify member hospitals. The primary function of the group is to leverage the aggregate purchasing volume and clinical expertise of network members to deliver cost

reductions, improved outcomes and strengthen market performance. Network members work collaboratively to align their formularies to generate mutually beneficial contract savings. Initiatives addressing standardization and utilization contribute to lowering supply costs while helping members provide outstanding, high-quality patient care.

Review of 2020: by the numbers

Inception year: 2008



338

health systems

- 14 new health system members
- 543 new sites of care



\$276.1M

2020 savings

- 45% annual increase in total member savings



18

total networks

- 2 networks established in 2020:
 - Providence Network
 - Vizient Oncology Network



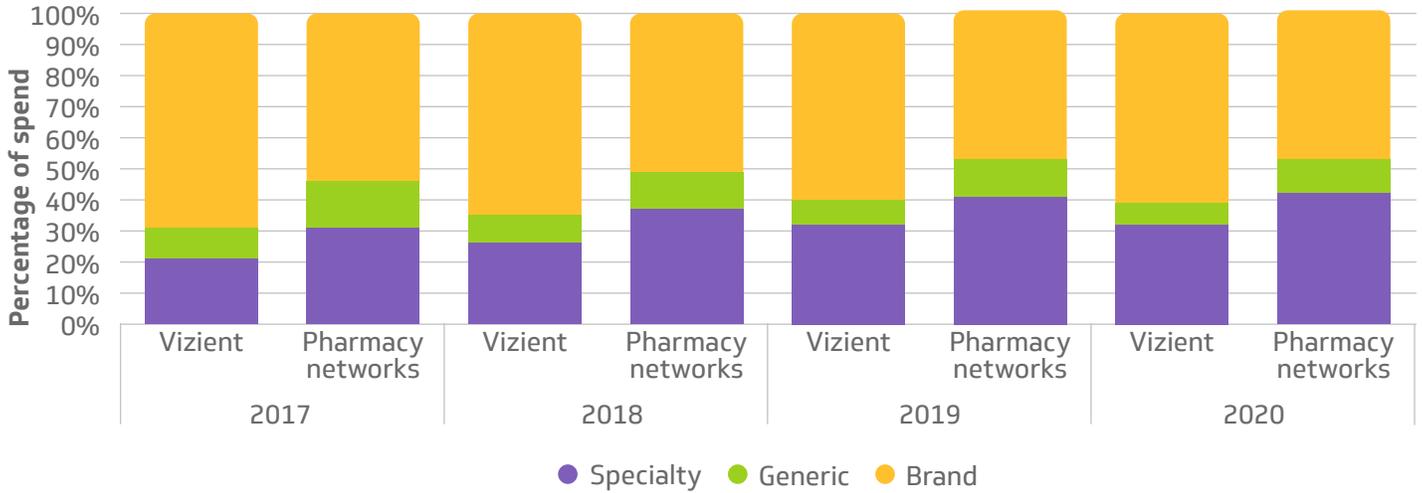
\$15.7B

2020 pharmacy spend

- 1.7% average decrease in member distributor spend

Figure 1 shows how member pharmacy spend has changed over time for Vizient members overall and for pharmacy network participants.

Figure 1. Year-over-year change in spend on specialty, generic and brand-name drugs for Vizient and the Pharmacy Network Program



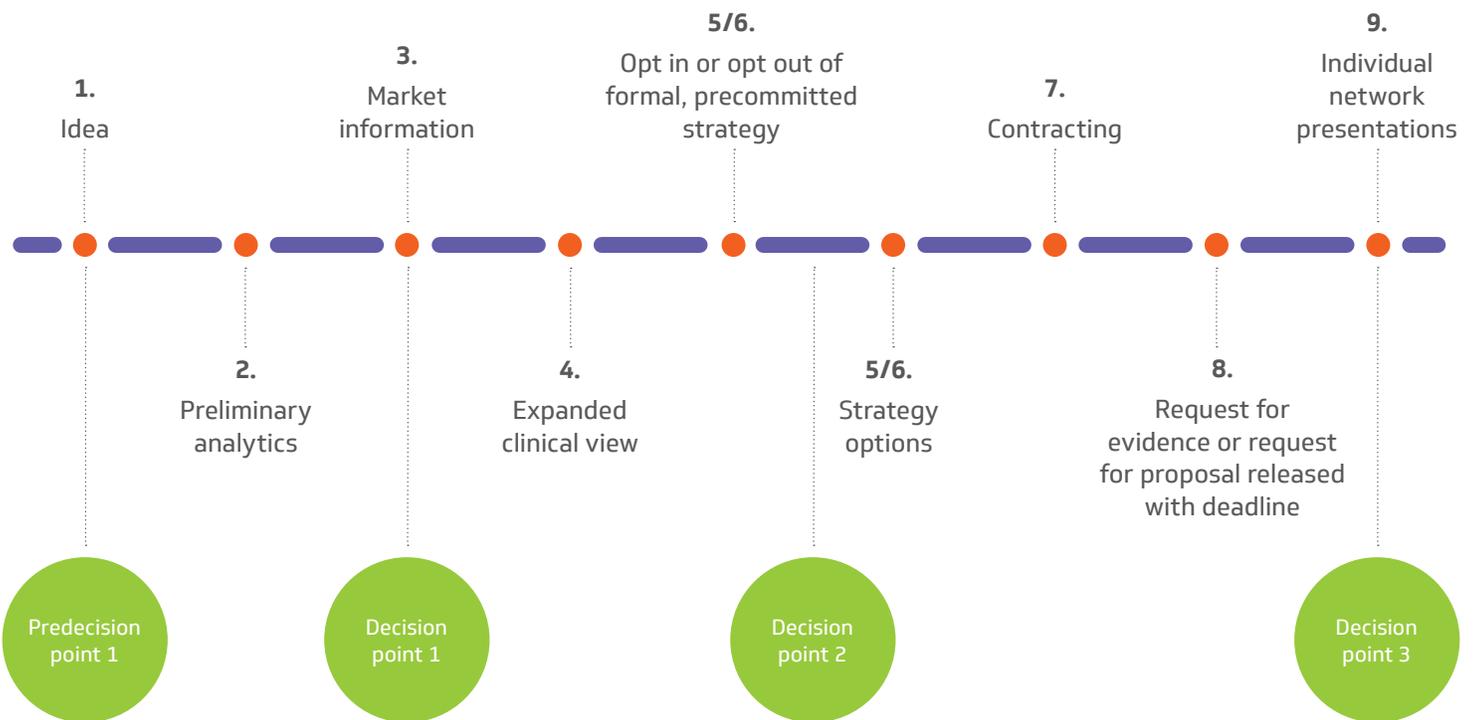
Multinetwork initiatives

An important area of focus in 2020 was the growth of multinetwork initiatives. The objective of a multinetwork approach is to build consensus that drives compliance within a therapeutic drug category across two or more pharmacy networks. The approach uses a robust decision-making process (Figure 2) to leverage participants' spend and commitment to yield the best pricing in the nation.

Evaluation criteria identify networks that would benefit most from a multinetwork approach.

In 2020, a total of eight new multinetwork contracting and 17 new noncontracting initiatives delivered success by providing significant member savings, more reliable supply and improved clinical quality.

Figure 2. Pharmacy multinetwork process



Formation of the Strategic Advisory Group

Our newly established Strategic Advisory Group, which provides feedback and direction for the Pharmacy Network Program, is comprised of one member from each of the 18 networks. The SAG met quarterly in 2020, establishing bylaws, roles and responsibilities for the member-driven group. Key performance indicators were identified and will be adjusted as the SAG's purpose and goals evolve.

A critical function of the SAG is providing guidance and strategy for current and future initiatives. In 2020, the group reviewed biosimilars, pegfilgrastim, thrombolytics, intravenous workflow, influenza vaccine, intravenous immunoglobulin and payer-mandated white- and brown-bagging programs. Each meeting included a member roundtable discussion; common topics included COVID-19, future project ideas and challenges involving patient care and financial stewardship. Recovery from the pandemic will continue to be a focus for the SAG in 2021; however, the group will also examine new initiatives for contracting and utilization best practices.

“MAPC participation continued to deliver significant savings to members throughout the year. A total of 14 contracting opportunities (new, renewals and enhancements) and 10 utilization or standardization opportunities resulted in approximately \$14 million in savings, based on more than \$1 billion in total pharmacy spend for MAPC members, reaching another network milestone in performance.”

Katie Militello, PharmD, BCACP
Pharmacy Network Executive
Mid-Atlantic Purchasing Coalition
Vizient



A year of expansion

The Pharmacy Network Program welcomed 14 health care systems — including UConn Health and Inova Health System — and 543 sites of care in 2020. In addition, four SOWs were renewed: Excelerate, Mid-Atlantic Purchasing Coalition, Arkansas Oklahoma Pharmacy Network, and MedStar/Novant/Sentara Pharmacy Network.

A highlight of 2020 was the creation of a new network — Providence — officially launched in February 2020 and including 53 hospitals and more than 1,000 clinics in the western United States. During its first year, the network exceeded its savings targets and maintained compliance rates of more than 80%. Cinda R. Schledewitz, PharmD, MBA, pharmacy network director; Sonia Estakhrian, MBA, implementation manager; and Greg Allen, senior analyst, joined the Pharmacy Network Program team to lead the new network

“We have coupled best-in-class clinical teams with strategic procurement practices from Vizient to drive performance in both contracting and utilization management initiatives. This partnership achieved over \$8.5 million in annual implementable savings.”

Elie M. Bahou, PharmD, MBA
Senior Vice President and Chief Pharmacy Officer
Providence Network
Member, Vizient Pharmacy Executive Council

Vizient Oncology Network

The Vizient Oncology Network, established in July 2020, is the result of a request from members to bring together health system oncology practices and clinics to drive savings and better patient outcomes. By the end of 2020, the network included 157 member hospitals totaling 1,552 member sites and representing an annual drug spend of more than \$2 billion. Travis Hunerdosse, PharmD, MBA, senior director, joined the Pharmacy Network Program team in February 2021 to provide strategic direction for oncology and specialty services.

Member benefits

- Provides access to systemwide benchmarking data and performance insights that drive clinical, operational and financial performance
- Promotes knowledge sharing to help address regulatory and practice issues, service evaluation and growth opportunities

- Affords greater leverage on drug pricing through volume aggregation, both within the network and with other networks
- Offers assistance with implementation strategies and stakeholder reporting on cost savings and auditing performance
- Enables peer-to-peer collaboration to address issues such as disease complexity, transparency, benchmarking and member costing

Supplier benefits

- Provides a single point of contact to simplify communication of value and mutual opportunity
- Has a proven ability to drive market share through network structure and to drive compliance through peer communication and executive engagement in network activities
- Promotes a focus on initiatives that otherwise may be lost among the day-to-day priorities of a hospital pharmacy

Vizient Pharmacy Network Program team



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Member value delivered in 2020

In addition to the benefits they derived from new options such as the Vizient Oncology Network, members appreciated opportunities to share information and best practices on timely issues in 2020.

Oncology biosimilars

Three important products faced significant biosimilar competition in 2020: bevacizumab, rituximab and trastuzumab. The multinetwork strategy for oncology biosimilars developed throughout the year as the market for these products grew. The Pharmacy Network Program pursued best-in-class pricing enhancements by aligning with a subset of suppliers in each molecule market. The strategy will continue to evolve as the market does to optimize members' biosimilar usage, including aligning with suppliers that share the networks' goal of providing best pricing to all members.

The majority of the pharmacy networks participate in the oncology biosimilar initiatives, averaging 60% conversion to bevacizumab biosimilars, 49% conversion to rituximab biosimilars and 60% conversion to trastuzumab biosimilars in the fourth quarter of 2020. This resulted in member savings of an estimated \$45 million in 2020, a total that is expected to grow in 2021.

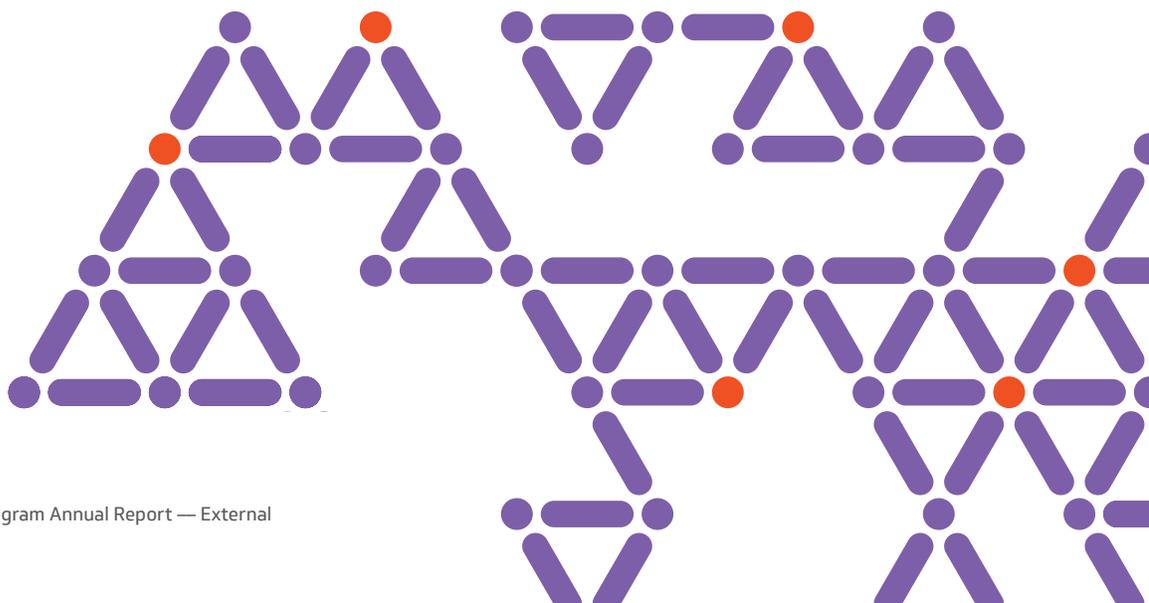
In addition, an August webinar for Pharmacy Network Program members featured a panel of speakers from organizations that have optimized the use of biosimilars for trastuzumab. The speakers promoted the use of biosimilars as a cost-saving strategy and offered best practices that have helped them achieve ambitious savings goals. The nearly 150 attendees were highly engaged in the discussion.

Best practices in wound care management

Based on member interest and rising drug costs, the Pharmacy Network Program team presented a unique hour-long continuing education program, "Cost-Effective Strategies for Wound Care Management," in January 2020. The more than 120 participants included pharmacists as well as wound care nurses and providers. Network subject matter experts presented principles in wound care management and alternative cost-reduction strategies for a collagenase ointment (Santyl) used for wound debridement. In addition, the Vizient Center for Pharmacy Practice Excellence published a side-by-side comparison of topical wound debridement agents. The overall utilization initiative resulted in total member savings of nearly \$2 million.

"Vizient and MWPC leadership provided valuable insight to keep us current on COVID-19-related treatment and prevention therapeutics while also providing support for product allocation."

Michelle Smith, PharmD, BCPS
Pharmacy Network Executive
Midwest Purchasing Coalition
Vizient



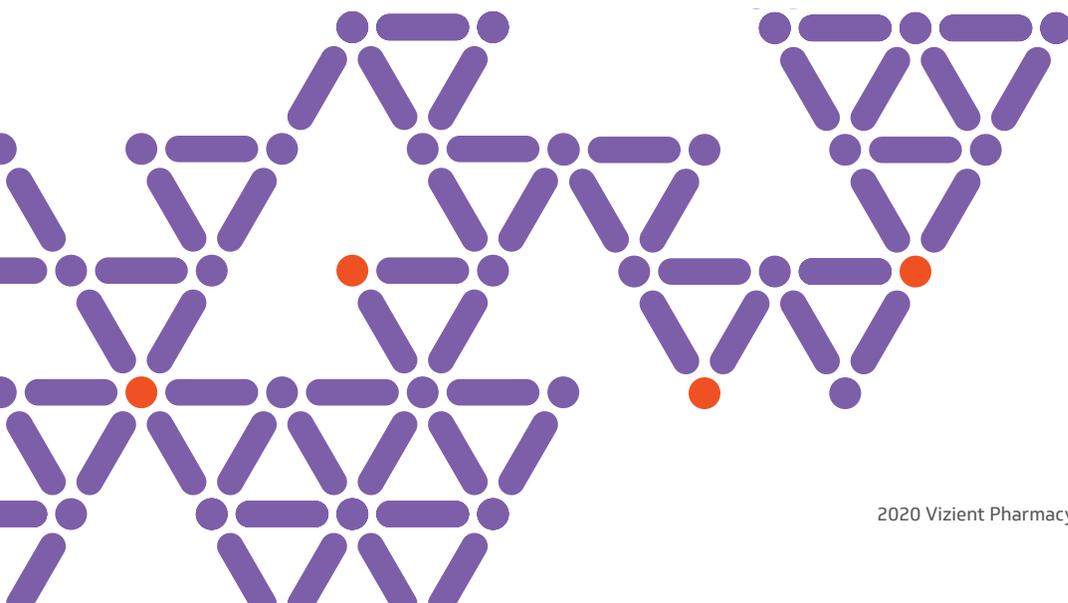
Looking ahead: 2021 progress

This year holds both great opportunities and significant challenges for the Pharmacy Network Program. COVID-19 will remain a focus, as our member hospitals pivot to the vaccination and recovery period. Demand for some supplies will likely continue to pose challenges.

We will shift even more of our focus towards automating internal processes to enable more efficient contracting, enrollment and savings tracking and provide greater speed to value — a frequent request from members.

“During arguably hospitals’ most trying times, NPC obtained tremendous value for its members and achieved its greatest results ever. This is entirely a testament to the hospitals and health systems that are a part of NPC, which remained agile and tactical during such a difficult time, all in order to achieve savings to ensure they can continue to take excellent care of their patients.”

David Reardon, PharmD, BCPS
Senior Director, Pharmacy Networks
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As the nation's largest member-driven health care performance improvement company, Vizient provides solutions and services that empower health care providers to deliver high-value care by aligning cost, quality and market performance. With analytics, advisory services and a robust sourcing portfolio, we help members improve patient outcomes and lower costs.

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