


US Oncology News


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Pharmaceutical Distribution **on track**

 **Oncology Rx™**
ORDER ENTRY SYSTEM

Processes, systems and support “go live,” delivering quality products and service to network locations


US Oncology®



Pharmaceutical Distribution:

From *vision* to *reality*

When US Oncology's distribution initiative was launched last September, it marked a significant milestone in the network's history and the realization of a unique, bold vision. The inspiration came from the company's tradition of finding new ways to maximize the value and efficiency of services to network-affiliated practices, and position them for long-term success. Conditions and trends in the external environment, however, increasingly challenged that objective.

"There are tremendous pressures today on health care. Drug costs continue to outstrip inflation and are predicted to continue to increase. Meanwhile, there's an incredible strain on health-care funding, as the nation faces an increased aging population. Unless we help our practices address these challenges, access to and quality of cancer care will be in jeopardy," said **Bruce Broussard**, US Oncology president, and former executive vice president of Pharmaceutical Services and CFO.

One way to reduce the strain is by bringing the entire drug-acquisition process for the network in house, creating the US Oncology Pharmaceutical Distribution division.

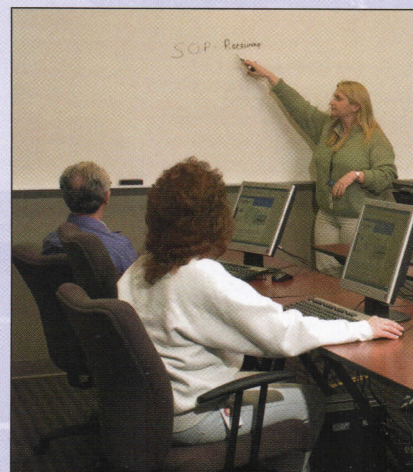
"Our distribution business will enable a seamless flow of pharmaceuticals directly from the manufacturers to affiliated oncology practices and their cancer patients," said Broussard. "It will ensure product integrity and patient safety, reduce costs, increase operating efficiency and offer physician-aligned distribution options."

The team

One of the first steps in making the vision become reality was to identify qualified individuals, from within the network and from the pharmaceutical distribution industry, to serve on the distribution leadership team. As part of that strategy, US Oncology hired **Rolando de Cardenas** as vice president of Pharmaceutical Distribution in September 2004. His experience and expertise includes more than 20 years of opening and operating pharmaceutical distribution centers, most recently as regional vice president with AmerisourceBergen.

"It was exciting and challenging to be starting a distribution business from scratch," said de Cardenas (above, right). "The incentive was our belief that this will be a better system that allows us to better control the products we distribute."

From the moment he joined US Oncology, de Cardenas knew he had two top priorities: put together an RFP for a software system to run the business, and find a partner to design the facility and oversee the construction process. Both were completed quickly. Before the end of 2004, Oracle was





selected to provide the software and Deloitte & Touche was selected as a consulting partner.

He also quickly assembled the core management team. **Paul Griffith** (page 26, center) joined as distribution center director, **Bobby Hall** (page 26, far left) joined as distribution operations manager, and **Brad Faber** as compliance manager, all of whom had significant industry experience. **Jo Bearden** transferred from US Oncology's purchasing group to become customer service manager. Pharmaceutical Distribution hired an additional 25 people to work at the center, many coming as a result of interest generated by a job fair held June 20.

Location, location, location

Another major task was finding an appropriate location for the distribution center. Careful research and on-site visits led to the decision to locate it at AllianceTexas business park near Fort Worth.

"It's a very unique and prestigious park, with a great location and infrastructure," said de Cardenas.

Most attractive is the building's proximity to some of the larger pharmaceutical distribution companies and a

Candace Martinez, receiving supervisor, leads a training session with (clockwise, from Martinez) Deborah Jones, packing clerk; Eugene Bowen, receiver; Virginia Burch, order clerk; and Dennis Long, stocker.



main courier hub. Nearby Dallas-Fort Worth airport houses delivery companies that allow for cost-effective ground shipment for the network's many Texas sites. The location is also adjacent to a master-planned industrial cargo airport that will provide year-round air freight capabilities.

Another factor is its growth potential to accommodate possible future endeavors.

"We're not currently using the distribution facility's total 75,000 square feet. There's room to grow by 20 percent per year for the next four years," said de Cardenas. "US Oncology also has the rights of first refusal on adjacent property."

After settling on the site, the team began working on the multitude of other tasks that go along with the immense project of transitioning the network's drug volume to a new internal distribution service – planning, building, training, testing and implementation.

Major undertaking

One of the first major projects was developing the order entry system that would provide practices an online-shopping account to simplify ordering, shipping and tracking information. Work began in February 2005 and was completed in April with the introduction of OncologyRx™.

Then training began so practices could learn how to use the system. Over a series of months, Bearden conducted comprehensive, biweekly Web cast training sessions, distributed written user materials such as PowerPoint® presentations, and held countless teleconferences and e-mail discussions.

Meanwhile, Faber worked on acquiring the multitude of state and federal licenses the distribution center would need to operate, including licensing from the Drug Enforcement Agency (DEA).

"The DEA performed a physical inspection of the cage and vault where we keep controlled substances," explained de Cardenas. "The State of Texas also did a physical inspection, which is necessary to obtain a state distributor license. And, of course, we had to be certified locally by the fire department."

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Securing licenses for all other states in which the distribution center can conduct business was no easy task, either.

"The application for the Florida license, for example, was 70 pages long," de Cardenas added. "We all had to be fingerprinted, have our pictures taken, and give other information. Florida officials even look at your immediate family, as well as the corporate makeup of the company."

Another massive undertaking was retrofitting the interior of the building to meet the needs of the distribution system. Delivery bay doors, narcotics cage and vault, controlled rooms and security system were installed. Conveyors and racking systems were constructed and slotting criteria were established for the organization of identified stock keeping units (SKUs) to achieve optimal product placement. Beginning in May 2005, the build-out was completed in August.

"The entire building was completed in just 16 weeks," said de Cardenas. "It was almost like one of those home makeover shows, how quickly it was done."

Going live

On Sept. 6, 2005, the first orders were placed and the distribution center was launched.

"The initial three-week pilot phase involved just one drug – MGI Pharma's Aloxi® – and service to five practice sites in Dallas and Fort Worth. These sites were chosen because

we had recently received all required licensing for Texas," said de Cardenas.

The business added 10 more practice sites six days later, bringing the total number of sites participating in the pilot phase of the rollout to 15. Continuing the rollout gradually, additional practice sites started using the sys-

tem on a weekly basis, according to receipt of state licensing. At least three weeks prior to each wave of the rollout, practice sites received a pre-rollout package that highlights details of the new system, including training schedules, distribution policies and customer service information. Practice personnel also participated in webcast training sessions.

"In the first 10 weeks of service, 90 percent of network practice sites were receiving product through the distribution center, representing about 8,500 orders and \$174 million in



Marvin Taylor (above) selects product from the refrigerator. Teresa Wilborn (below) packs an order for shipment.

total drug volume," de Cardenas reported. "It was an incredible accomplishment in light of the fact that this project was on the design table this time last year."

Additional products were also gradually transitioned into the network's internal distribution service, with the goal of 100 percent of pharmaceutical products being shipped to all Comprehensive Strategic Alliance (CSA) and Oncology Pharmaceutical Service (OPS) sites by the end of first quarter 2006.

"I am very excited and pleased to see the teamwork, support and commitment by our internal associates – physicians, nurses, pharmacists, technicians, practice administrators, controllers and corporate representatives from all functional areas – to bring this project to where we are today," said de Cardenas.

Pharmaceutical Distribution is definitely on track for its 2006 milestone, and ongoing success well into the future.▲

