



HE

➤ Say you have a bad headache, or maybe an infection. A trip to the corner drug store — with perhaps a stop by the doctor's office for a prescription — is probably all you need. You walk out with your bottle of pills and in a few hours or days, you're all fixed up.

The process is a little different for people who depend on their medications to keep them alive or preserve their quality of life.

To receive their life-sustaining remedies on time, they look to specialty pharmaceutical distribution companies such as CuraScript, Axiom or Advanced Care Scripts. All three companies, and several others like them, are based in Central Florida.

Specialty pharmaceutical distribution is a multi-billion-dollar universe and Metro Orlando is its center.

"If you're a biotech manufacturer and you need to find a distributor, you only need to fly to one place. You only need to fly to Orlando," says Dom Meffe, the original CEO of CuraScript.

He took the company from a small enterprise to a \$4 billion operation before selling it to Express Scripts, a pharmacy benefits manager, in 2004. PBMs, as they're known, work under contract with managed care organizations, self-insured companies and government programs to oversee pharmacy network management, drug utilization reviews and other aspects of care management. The idea is to save money, and one of the ways they do that is through mail-order pharmacies.

HEALTHY LIVING

By G.K. Sharman

ORLANDO HAS BECOME THE SPECIALTY PHARMACEUTICAL DISTRIBUTION CAPITAL OF THE NATION.

"Of any city in the United States, Orlando has the largest specialty 'pharma' presence," says Jeff Spafford, CEO of Advanced Care Scripts, also known as ACS.

"If you want to start a specialty pharma operation and hire good people with skills and experience, Orlando is the place to be."

It's always been the place to be, continues Spafford, who was part of Meffe's management team at CuraScript and, therefore, familiar with the industry's local history.

As an industry, specialty pharma distribution is only about 10 years old and many of the pioneers — companies such as CuraScript and Priority Healthcare — started in the Orlando area.

Part of the reason was circumstance, Spafford admits, though state pharmacy laws also play a role. Florida allows a ratio of three pharmacy technicians to one registered pharmacist. Some states, such as New York, require one tech per pharmacist. More techs make for a more efficient, less costly way to do business, he explains.

As the industry grew, so did CuraScript and Priority. With the growth came new companies and joint ventures

with large retail chains, including Wal-Mart. Those corporations opened facilities here and they continue to operate even though the joint-venture arrangements have changed. Walgreen's and Aetna also have specialty pharma distribution companies here, as does Icore Health, which is part of Magellan Health Services.

Eventually the industry began consolidating. Companies merged or were sold to other firms. Express Scripts, based in St. Louis, bought both CuraScript, which retains its name as a subsidiary, and Priority Healthcare. Some joint ventures spun off and became independent. Axiom, based in Lake Mary, was a spinoff of Priority, says Spafford, and many of its current leaders used to be senior managers there.

Some managers left to start their own companies. Spafford and a partner started ACS, another distribution company. Meffe, often referred to as a "serial entrepreneur," stayed in the health-care field, but moved from distribution to the diagnostic end. His new company, Triad Isotopes, was formed last January and makes radioactive materials used to diagnose cancer and heart conditions.

CuraScript is one of the top specialty pharma distributors in the nation, providing high-cost injectable or infusible biotech drugs to people with chronic diseases such as cancer, multiple sclerosis, hepatitis C, rheumatoid arthritis and hemophilia.

Like most specialty pharma distributors, CuraScript — "cura" is Latin for "care" — is a mail-order operation. About half of its business involves shipping directly to patients, says Thad Seymour, CuraScript's senior vice president of marketing. The other half is bulk shipments sent to doctors or clinics, especially of the oncology and ophthalmology meds.

As the nation's largest privately held specialty biotech firm, CuraScript employs some 2,600 people, about 1,600 of whom work here in Central Florida at facilities near Orlando International Airport and Lake Mary.

"We have created this large footprint for specialty pharma distributing and dispensing," says Seymour.

ACS, by contrast, focuses on oncology treatments and Medicare patients, especially recipients of Medicare Part D. It, too, focuses on mail-order, though patients can also pick up their



FAST FACTS

CURASCRIPT*

- 2,600 employees total; about 1,600 in Central Florida
- 1,700 payer contracts
- 6 satellite pharmacies
- 63,000 physician offices serviced
- 120,000 patients served per month
- More than 5,500 inbound calls per day
- More than 6,500 outbound calls per day
- \$3 billion in revenue in 2005
- 2.2 million scripts dispensed in 2005

(*source: CuraScript annual report)

EXPRESS SCRIPTS

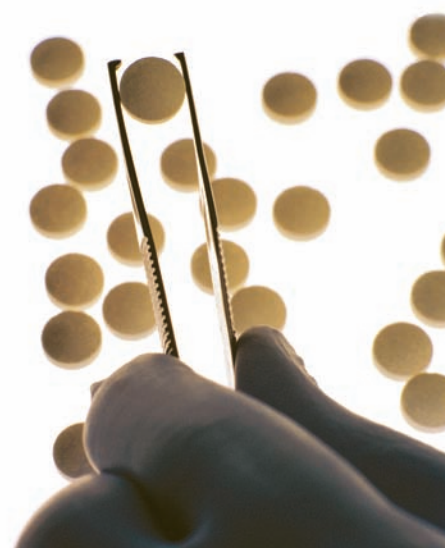
- Ranked 134 on Fortune 500 list
- Processes 390 million retail prescriptions per year
- 40 million home-delivery prescriptions per year

TRIAD ISOTOPES

- Formed January 2007
- 300 total employees
- 20 employees at executive office in Orlando
- 25 manufacturing facilities across the Southeast

ADVANCED CARE SCRIPTS

- Privately held
- Two years old
- Focus on oncology and Medicare
- 80 employees
- Processes about 7,000 prescriptions per month



Orlando “gets it,” he says, noting that local workers are “really in touch with the human qualities that go with health care.”

The business is ultimately about helping people, Meffe and others maintain.

Healthcare, he says, is the only field “where, by doing your job, you can touch people and improve their lives. What we do on a day-to-day basis directly affects people’s lives.”

The work touches the employees almost as much as the patients. When patient care specialists — the term ACS uses for its customer care reps — can’t help someone qualify for financial assistance, says Spafford, they take it hard.

Specialty pharma’s effect on patients is undeniable, as are its effects on the larger biotech industry in Metro Orlando. More than 150 biotech and life science companies currently operate here, providing jobs for over 9,000 people and generating revenues of \$2.6 billion, according to figures from the Metro Orlando Economic Development Commission (EDC).

Specialty pharma is certainly a shot in the arm for the local economy. In an area where the average annual income hovers around \$35,000, according to the EDC, specialty pharma workers bring home about \$50,000 a year.

At Triad’s home office, the figures are even higher: the executives there pull down six-figure salaries.

Not all pharma workers are medical personnel. The companies also provide jobs for trained, experienced — and well paid — IT, legal and human resources workers.

Specialty pharma has helped lead the way for a biomed presence in Orlando that has continued to increase in size and stature, especially after last year’s announcement that The Burnham Institute for Medical Research, a premier non-profit research facility that specializes in therapies for diseases such as cancer and Alzheimer’s, would base their East Coast operations here.

The Burnham Institute is the anchor for Metro Orlando’s budding “medical city” that will also include:

— A new \$200 million UCF College of Medicine and a new University of Florida medical research lab.

— A VA hospital that will consist of a 134-bed hospital, a 120-bed nursing home, a 60-bed domiciliary for institutional care, an outpatient clinic and a veterans benefits office.

— A proposed Nemours Childrens Hospital.

With all of that going on, comments Meffe, the area’s specialty pharma pioneer, “Orlando is clearly going to be a large, serious healthcare hub.”

In 10 years, he adds, “I certainly want to see what Orlando is going to look like.”



2004 – Acquired by Express Scripts, Inc., St. Louis, Mo.

2005 – Express Scripts acquires Priority Healthcare for \$1.3 billion and finalizes merger with CuraScript

2005 – Spafford and partner form ACS

2005 – Aetna (in joint venture with Priority HealthCare) opens 63,000 sq.ft. specialty pharmaceutical distribution center in Lake Mary

2006 – CuraScript builds new 65,000-square-foot facility in Orlando

2007 – Meffe forms Triad Isotopes

prescriptions in person and the company has an infusion site where certain drugs can be administered by nurses.

Axiom Healthcare Pharmacy is a top nationwide specialty pharmacy provider and distributor. A comprehensive pharmacy, it provides disease-management programs and injectable and oral meds for a range of conditions, from HIV/AIDS to oncology to growth hormone deficiencies.

A HEALTHY PROGNOSIS

Specialty pharmaceuticals distribution is a field with a healthy prognosis. It is the fastest-growing segment of the already gargantuan pharmaceutical industry, serving about one percent of patients, but accounting for an estimated 25 percent of prescriptions filled.

Put another way, an estimated 20 cents of every dollar spent on prescriptions is spent on specialty pharmaceuticals, says Dr. Steve Miller, the chief medical officer for Express Scripts.

Spending on specialty pharma totaled an estimated \$35 million in 2004 and was expected to reach or exceed \$70 billion in 2008. According to the Bureau of Labor Statistics, this is at least in part because an estimated 125 million Americans suffer from one or more chronic conditions, and chronic diseases account for 75 percent of all healthcare expenditures.

It's an industry that's lucrative, stressful and rewarding all at the same time.

Specialty pharma patients rely on the distribution companies because their medical needs fall outside the scope of the average retail pharmacy.

Their medications often require special care or handling, explains Seymour. Multiple sclerosis drugs require constant refrigeration, for example, while many other treatments have to be given by injection. Retail pharmacies,

which are set up to dispense pills — or oral solids as they're known in the industry — frequently don't have the storage facilities for such specialized medicines.

Patients also tend to have conditions that are painful, chronic and often terminal. The medications that work toward curing their ailments or contribute to their quality of life often have unpleasant side effects. And unlike a large number of pharmacies and even

for multiple myeloma, a serious type of cancer that affects plasma cells, goes for \$10,000 a month — or \$300 a pill — says Spafford.

Most of ACS' patients will pay \$2,000 or \$3,000 a month for their meds for the rest of their lives, he explains.

Consequently, the pharma distributors spend a lot of time serving as liaison to the insurance companies or helping patients secure financial assistance.



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— Dom Meffe

doctors' offices, the specialty distributors end up doing a lot of hand-holding for their patients, according to Seymour.

CuraScript employs nurses and social workers while ACS has more nurses than pharmacists on the payroll. These care specialists are available for consultations via telephone, day and night.

The medicines that patients depend upon are also very expensive. A 30-day supply of specialty medication can be as much as \$1,500, says Seymour. Some therapies for hepatitis C can cost up to \$20,000 a year. One of the treatments

"We have an awesome responsibility to take care of our patients," he says.

Working with specialty pharma patients isn't a job that just anyone can do. Even the customer service reps who arrange refills and deliveries and work in the call centers are given special training.

Still, Orlando's strong history of excellent customer service gives the city an advantage. It's no accident that CuraScript is in Orlando, Express Scripts' Miller says from his office in St. Louis, calling quality customer service "indigenous to the culture."

TIMELINE

1989 – United PharmaCare formed in Omaha, Neb.

1994 – United PharmaCare acquired by Coram Healthcare Corp., a pharmacy benefit and mail-order company

1997 – Under Meffe's leadership, PharmaCare becomes a biotech distribution company

1999-2000 – Meffe leads a management buyout, changes the name to CuraScript Pharmacy, Inc. and moves the headquarters to Orlando

2004 – CuraScript moves to 80,000-square-foot dispensing facility in Orlando