



Cardinal Health Specialty Pharmaceutical Services: Leading the Healthcare 3PL Race

*Inventory items carried
expanded by 250%*

Orders-per-day increased by 307%

*Order service level for on-time
shipping reached 99.30%!*

In 1995, Cardinal Health envisioned the need for alternative services and routes-to-market in the healthcare industry and had the foresight to create its own third-party logistics provider (3PL). Cardinal Health Specialty Pharmaceutical Services, the result of an ambitious idea bred in a boardroom brainstorming session, has become a 3PL success story. It now ranks among the top three 3PLs in healthcare by distributing products to pharmacy chains, specialty distributors, and wholesalers. Cardinal Health Specialty Pharmaceutical Services is a wholly owned subsidiary of Cardinal Health, the leading provider of products and services supporting the healthcare industry. Cardinal Health, headquartered in Dublin, Ohio, employs over 49,000 people on five continents and generates annual revenues in excess of \$44 billion.

What makes this particular 3PL so special? How did they differentiate themselves from their competition? How did they evolve from a business theory to their present and tangible form, leading the industry in healthcare distribution? It's due to the fact that they track and distribute products for pharmaceutical and biomedical manufacturers and have advanced warehouses and warehousing methodologies

equipped to store refrigerated, frozen, and controlled drugs until ready for distribution. It's because of the cost-effective methods used as they approach pharmaceutical, medical devices, diagnostics, and other healthcare distributors and marketers with distribution, information, and financial services.

What started in 1995 in Lakeland, FL with four employees has quickly grown to a 180,000 sq.-ft. warehouse company in Lavergne, TN, and has experienced a staff growth of 200%, just in the last two years. Despite its rapid growth, Cardinal Health Specialty Pharmaceutical Services' corporate objective of creating value for the customer has remained the same. "Everyone from Frank Wegerson, Vice President and General Manager, down is committed to excellence," states Gary Davis, Information Systems Manager at Cardinal Health Specialty Pharmaceutical Services.

Executives at Cardinal Health Specialty Pharmaceutical Services were quick to reply, when asked why they chose Lavergne, TN, as the site for their new location. Lavergne is near Nashville, TN, which is four hours from the Federal Express hub in Memphis, TN, and three hours from the United Parcel Service (UPS) hub in Louisville, KY. Nashville's central location allows clients to utilize UPS' most economical ground service to 80% of U.S. pharmacies and doctors within three business days, compared to 63% from most East Coast locations. A distribution center near Nashville, such as Lavergne, results in faster service at a much lower cost.



*"In fact, our order service
level rate for on-time shipping
has dramatically improved over
the last year to 99.30%."*

*Gary Davis
Information Systems Manager
Cardinal Health Specialty
Pharmaceutical Services*



“We know and can track every piece of every order. An Enterprise Performance Management tool such as EliteView allows us to create, view, analyze and report all activities by client.”

*Gary Davis
Information Systems Manager
Cardinal Health Specialty
Pharmaceutical Services*

Cardinal Health Specialty Pharmaceutical Services constantly re-examines its performance in order to remain innovative and distinguish itself from its competition.

Though the company had come a long way since its humble beginnings, executives soon realized the need to replace their outdated enterprise application. Their old legacy system was keeping them from providing their clients with the information and services that they required. At that point, they sought out a new suite of supply chain management applications to meet their needs. Three key factors drove their software search: 1) Their old package could not be validated under the FDA guidelines; 2) they needed increased reporting flexibility; and 3) the old system was affecting their ability to be competitive. Cardinal Health Specialty Pharmaceutical Services then selected TECSYS' **EliteSeries** enterprise application suite.

“We knew that TECSYS' new software suite would have the flexibility to handle today's business issues and be technologically advanced enough to support us tomorrow,” states Davis. In fact, Cardinal Health Specialty Pharmaceutical Services selected **EliteSeries** because of the fully integrated Distribution Management System (including Financial Management), Warehouse Management System, and

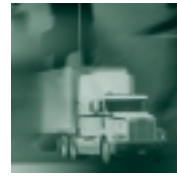
Enterprise Performance Management System. **EliteSeries**' relational database allowed the integrated reporting tools to be flexible and dynamic with easy access to the data they needed. Also, TECSYS was willing to partner with Cardinal Health Specialty Pharmaceutical Services to complete the necessary work to do a retrospective evaluation in preparation for FDA validation.



The first challenge was to recognize that the old system could not meet the FDA standards. In their search, Cardinal Health Specialty Pharmaceutical Services discovered that the TECSYS source code was one of the most comprehensive and well-

documented applications in the marketplace. This is important because documenting standard operating procedures is a must. “Every single step and procedure has been documented and verified and the process is adhered to 100%,” affirms Davis. “Not a single change goes through without a standard operating procedure being created, documented and quality tested before it is implemented.”

Next, they wanted an application suite that was flexible and offered complete visibility from the time the order was placed until the intended customer received it. “**EliteSeries** allows us to do what we do best – manage the



Cardinal Health Specialty Pharmaceutical Services Case Study

logistics behind the scenes,” affirms Davis. Another key benefit of *EliteSeries* is that all the modules come completely integrated “out-of-the-box”. This is very important as it allows Cardinal Health Specialty Pharmaceutical Services to upgrade and be able to take advantage of the suite without having to spend hundreds of hours re-integrating all of the key modules.

The third point was selecting a solution that would enable them to remain competitive today and yet be able to handle tomorrow’s customer and technology demands. Their business has grown substantially since they implemented *EliteSeries* a little over two years ago. Today, the inventory items they handle have grown by nearly 250%. The orders-per-day have increased by 307%. By offering technology solutions, Cardinal Health Specialty Pharmaceutical Services has seen its EDI orders grow by an impressive 332%. “On top of all of this,” adds Davis, “is our ability to ship any order received the same day. The warehouse layout and staff assignments can take an order, pick it, pack it and ship it. Our cycle count accuracy reached over 99.50%. Also, utilizing the bar code technology has enabled us to achieve 99.99% P/PS Accuracy.”

Cardinal Health Specialty Pharmaceutical Services’ philosophy extends throughout all facets of its business. Their senior executive team consists of seasoned professionals who have worked and dealt with all aspects of the healthcare distribution industry. Their success has its foundation in people trained and experienced in pharmaceuticals distribution and wholesale operations management, a distribution facility featuring state-of-the-art security and climate controls, and systems that deliver

information with full functionality for today and tomorrow. The best physical plant and information systems can only succeed when the people responsible for their use and deployment are highly motivated and committed to quality, customer service, innovation, and continuous improvement. Cardinal Health Specialty Pharmaceutical Services has proven that such ideas and processes can become a reality. Tracking performance and measurement is part of life for all Cardinal Health Specialty Pharmaceutical Services employees. For example their “On-Time Receiving” performance was 92.10% in 2001 and has improved an additional 7.8% to 99.90% in 2002. An increase of 1% takes a large commitment when faced with the task of improving measurements that are in the 90th percentile. A 7.8% increase is a level that can only be achieved through driven commitment to excellence and state of the art solutions and facilities.

“Since we have installed *EliteSeries*, the competition has had a tough time keeping up,” states Jim Homan, Director of Sales and Account Management. “When you factor in our top notch facilities, our dedicated people, our strict adherence to quality and process, and the fact that we can provide many more services and reports than the competition, one can see why we are growing at the rate we are today. I have been in the business over 26 years, and I have come across many 3PLs with just warehousing and/or transportation as a service to their clients. Since we have the entire suite and full access to all data,” concludes Homan, “potential clients are astounded at our reporting and service capabilities.”

“The cost savings acquired by not having to integrate disparate solutions is enormous when you consider that we re-quality test all procedures before any implementation of a new release. It allows us to continuously focus on our key core competencies and not become a programming house trying to integrate everyone’s disparate modules.”

*Gary Davis
Information Systems Manager
Cardinal Health Specialty
Pharmaceutical Services*



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*Jim Homan
Director of Sales and Account Management
Cardinal Health Specialty Pharmaceutical Services*

Cardinal Health Specialty Pharmaceutical Services’ People Services include:

- Customer service and order entry via multiple methods such as electronic data interchange (EDI), phone, fax or mail
- Customer service representatives handle all field call-types, inquiries, adverse event triage, order tracking, product queries and general information
- Customer service representatives set up and maintain class-of-trade-specific customer files allowing multiple pricing tiers for various customer types, as well as customer specific contracts and pricing

Facility Services include:

- Pharmaceutical Grade facilities with sophisticated temperature and humidity controls for the ambient warehouse
- Refrigerated storage with the largest and most flexible environments offered by the contract logistics industry that is validated for temperatures between 2 and 8 degrees Celsius with cGMP guidelines maintained
- Security system that has been DEA inspected and approved through limited entry and access and video cameras providing constant surveillance to all sensitive operations
- All associates are subject to Cardinal Health Random Drug Testing Policy

System Services include:

- Full range of financial services, such as invoicing on the customer’s behalf, accounts receivable with customer specific parameters for credit controls, tracking and reporting of customer returns
- Chargebacks that are fully integrated with the financial management system
- Government reporting, by having the order management, financial management, executive reporting and wholesale charge back processing fully integrated to provide complete sales compilation

Other Services available:

- EliteTRAKSM – Practitioner Sample Program – the most compliant and validated fulfillment service available
- Sample Order Management and Distribution – sample shipments are tracked to sales representative’s residence and return delivery receipt hard copies are vigorously retrieved and filed in accordance with PDMA guidelines
- RAPIDistributionTM – a program that allows pharmaceutical companies to begin detailing a new product within 48 hours of receiving FDA marketing clearance



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- Return Goods – Cardinal Health Specialty Pharmaceutical Services manages your customer; returned goods processing and all steps associated with the returned goods including generation of returned goods authorizations (RCGs) and process returns are physically segregated from salable goods, issuance of credits against returns, and the destruction or other resolution of the returned products
- Product Recall Assistance – by providing all lot movement and tracking history to clients within two business hours after recall notification, as well as providing a database consisting of customer address, dates, quantities, and lots purchased for use in creating a mailing list of those who purchased the affected lot(s)

Where does it all lead? Cardinal Health Specialty Pharmaceutical Services has differentiated itself in a quickly changing marketplace. *EliteSeries* has enabled the free flow of information for instantaneous response. Total product integration has enabled them to stay on top when the industry demands reduced time-to-market, increased accuracy and timely information. They have embraced the power of the Internet, enabling companies to exchange information electronically using the Web and EDI. Tools such as *EliteView* now allow secured access to information needed to efficiently service their customers. Data accessibility and process flow allow the people to do their jobs more efficiently and accurately. The ability to process, extract and report on any combination of data needed by

customers has given them a major competitive advantage. Finally, they can leverage the Internet as a viable platform for new applications and services to maintain its leadership in the healthcare 3PL market. “TECSYS,” concludes Homan “gave us the tools and flexibility to better understand and meet our customers’ demands as well as the ability to share information to meet and exceed our customers’ needs.”

Taking into account all of the services, systems, reporting and facilities offered by Cardinal Health Specialty Pharmaceutical Services, it’s really not difficult to see how they have become such a driving force in the healthcare 3PL industry. With constant demand for quality and perfection and a company philosophy that ensures that every step and process meets or exceeds DEA, HDMA, FDA, PDMA and cGMP standards, Cardinal Health Specialty Pharmaceutical Services has surpassed its own expectations – becoming a leader amongst healthcare 3PL providers.

- FDA = Food and Drug Administration
- DEA = Drug Enforcement Administration
- HDMA = Healthcare Distribution Management Association
- PDMA = Prescription Drug Marketing Act
- cGMP = Current Goods Manufacturing Practice
- P/PS = Pick / Pack and Ship





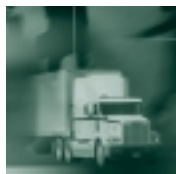
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