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CHEAPER

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Editor-in-chief:
Flemming Sonne
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HARD TO SAVE WHEN PRICES ARE GOING UP

Are we willing to pay more for new medicine with only minimal effect? This question is often the subject of media debate. And essentially, this question was also the main factor behind Danish Regions' decision to set up the Danish Medicines Council back in 2016. In the past year, the establishment of the Council has led to exciting new and essential tasks for Amgro. The expert committees under the Danish Medicines Council assess the clinical effect of new pharmaceuticals, while Amgro provides health-care economic analyses and negotiates prices with suppliers.

Cutting spending to the bone

This work has drawn heavily on our resources at Amgro in 2017. Firstly because it's a new area for us. But also because, along with hospital pharmacies, regional hospital drug committees and other central players, we are facing a massive challenge with regard to cutting healthcare-sector spending to the bone - without compromising quality and patient safety. This is one of the reasons why, a couple of years ago, Amgro took the initiative to establish more formal collaboration with the other Nordic countries in what is known as Nordisk Lægemedel Forum (the Nordic Pharmaceuticals Forum). Along with other countries that share the same challenges and build on a structure similar to ours, we're striving to find common solutions. Not only solutions to the issue of the rising costs of new pharmaceuticals, but also solutions that can help prevent problems related to supplying pharmaceuticals to the Nordic countries, which in a global context are only very small markets. With the progress made in 2017, now in 2018 we are

ready to launch the first pilot projects on joint Nordic calls for tenders to supply a number of 'older' pharmaceuticals.

We have to make a choice

At the same time, Amgro has kept its focus on saving money for our owners in the regions by making joint regional calls for tenders to supply pharmaceuticals. In the past year, this led to total savings of DKK 3.1 billion. This level of savings is unprecedented, and it is the result of structured efforts in Amgro, the regions and at hospital pharmacies. In particular, our focus has been on categorising pharmaceuticals differently, depending on whether they are new or old on the market. Or, in other words: Pharmaceuticals are categorised according to their stage in their lifecycle. This enables us to target our efforts to achieve the lowest possible prices.

However, although we are very much aware of the importance of striving for the best and the cheapest products, and despite the efforts we share with our collaboration partners to shift patients from original to biosimilar pharmaceuticals whenever possible, the fact of the matter is that increases in pharmaceuticals expenditure by far exceed the savings we have been able to achieve through tough negotiation and joint tendering procedures. Indeed, the cost escalation makes it hard to imagine how savings alone can help us overcome this challenge. Yet, we still believe that we can make a difference for the regions. And we're off to a good start.

Flemming Sonne
CEO

WE'VE MADE OUR PHARMA- CEUTICALS BUSINESS EVEN MORE SPECIALISED

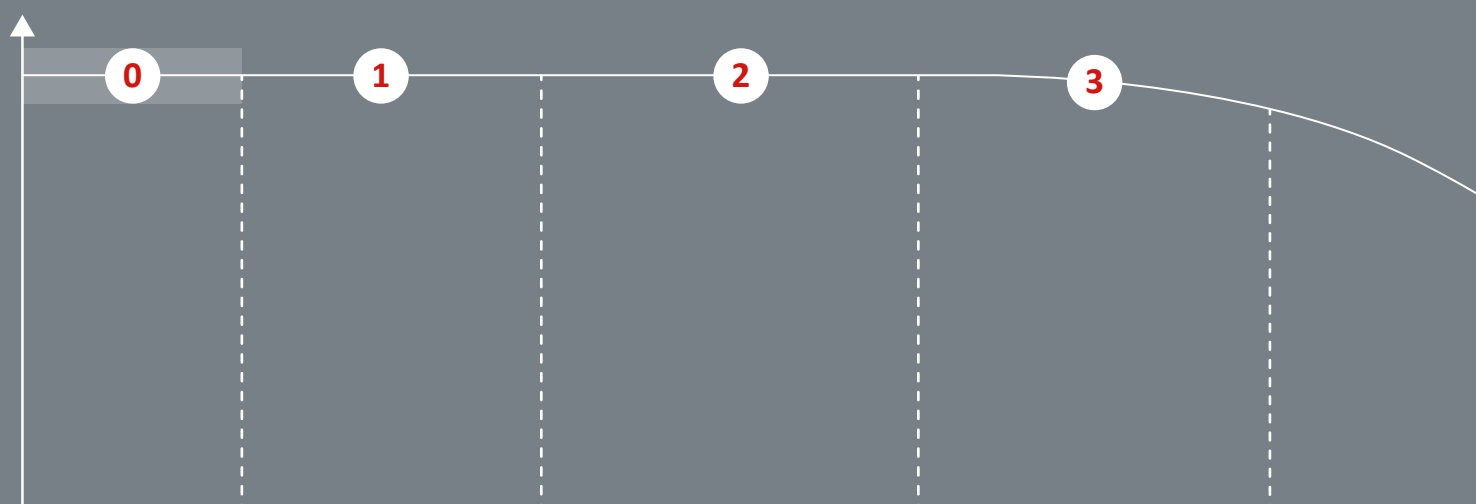
Amgros has the dual role of securing low prices of pharmaceuticals for public hospitals, while also safeguarding that, despite being a small country, Denmark remains an attractive market for suppliers. In the past year, we have become even better equipped for this task.

Can we be too efficient?

Perhaps. If we look at the price of a pharmaceutical over time, there seems to be some truth in this.

It's all about the pharmaceutical lifecycle. When a new pharmaceutical enters the market as the first of its kind, the price will typically be very high. But when other similar pharmaceuticals start generating competition, the price will start to drop. Because competition means that Amgros will then be able to make calls for tenders for pharmaceuticals supply. Later on, when the patent expires and generic

PRICE



Horizon
scanning



Introduction of
new product or
new delivery method



Monopoly or
de facto monopoly



Full or partial
analogue competition

pharmaceuticals (copies) become available on the market, the price of the pharmaceutical may eventually become so low that the market is no longer attractive for suppliers. Even pharmaceuticals that are vital for some patients may no longer be available.

Obviously, this is a situation that we need to avoid. However, we also need to prevent new expensive pharmaceuticals for highly specific diseases from drawing excessively on the regions' budgets. These challenges have been a focus area for a long time. But the challenges are highly complex because, on the one hand, Amgros has to secure savings for the regions when procuring pharmaceuticals, but on the other hand, we need to safeguard the supply of pharmaceuticals to public hospitals. In other words, we need to secure low prices while at the same time attracting sufficient amounts of pharmaceuticals.

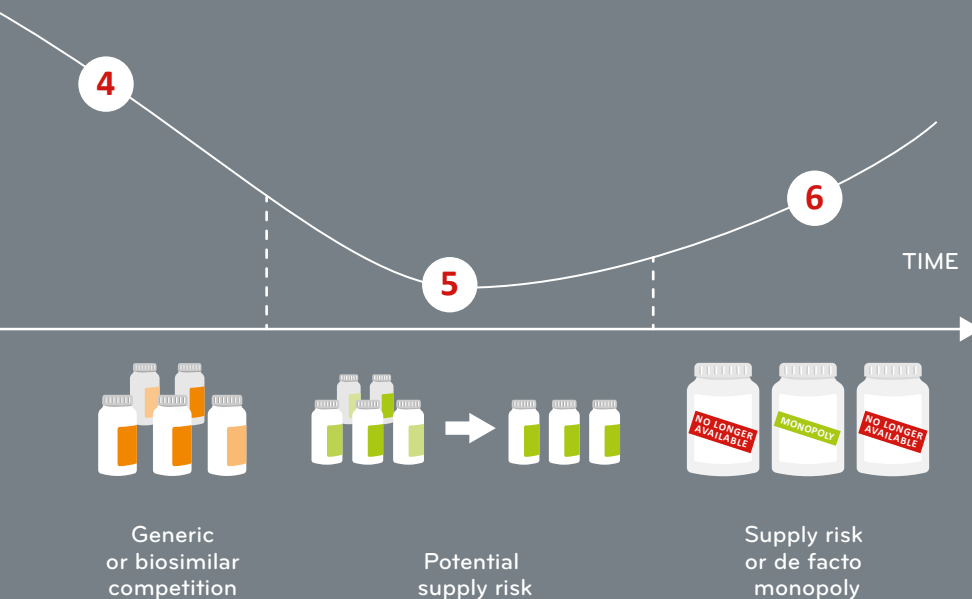
Several fronts

During the past year, we have addressed these challenges on several fronts. We have created a more comprehensive setup enabling us to support the Danish Medicines Council in its decisions. We have established a team of specialist negotiators whose job is to achieve favourable prices for new pharmaceuticals or indications. We have developed methods and processes enabling us to provide the necessary healthcare economic analyses and calculations. We have set up a new function that can more accurately predict when new pharmaceuticals or indications are going to enter the market. We have generated a better overview of the timing of patent expiries. And we have established a specialist function that works exclusively on how to manage pharmaceuticals in critical situations.

In other words, we have developed and structured our pharmaceuticals business to tender and supply pharmaceuticals. Our highly specialised tendering and procurement procedures mean that we can now be even better at making calls that are targeted specifically at a given stage in the lifecycle of a pharmaceutical.

Is our approach efficient enough?

Perhaps. At all events, we believe that this approach will improve our ability to maintain Denmark's position as an attractive market for all pharmaceuticals, regardless of their lifecycle stage. And we are convinced that it will continue to secure good prices.





WE'VE COME A LONG WAY IN OUR WORK WITH THE DANISH MEDICINES COUNCIL

We have devised methods, processes and analyses. We have trained a team of skilled negotiators. For a year now, we have been supporting the Danish Medicines Council in its work to secure lower prices of pharmaceuticals for public hospitals in Denmark.

When a political majority decided to put an end to the escalating pharmaceuticals expenditure at Danish hospitals, Amgros was given an important role. With the establishment of a new medicines council in Denmark, focus was broadened to include not only the effect, but also the costs, when assessing whether Danish hospitals should start using a new drug in standard treatment. And Amgros was given the task to assess suppliers' financial analyses and to negotiate pharmaceuticals prices with suppliers. We have been doing this for about a year now. And our experience shows that we have been able to achieve considerably higher discounts on monopoly products than would otherwise have been the case. Moreover, we have

achieved discounts on products where, previously, no discounts would have been granted. But what exactly is our role in relation to the Danish Medicines Council?

Negotiating prices

Our role covers several aspects. When a supplier submits an application to the Danish Medicines Council to recommend a new pharmaceutical or a new indication for a pharmaceutical, Amgros evaluates the suppliers' financial analyses. For example, Amgros assesses the probability of an allegedly higher or lower draw on hospital resources when treating patients with the new pharmaceutical, compared with the current standard treatment. Or, in other words: Do the financial models on which suppliers' conclusions are based stand up to scrutiny?

Following an assessment by the Danish Medicines Council's relevant expert committee of the added clinical value compared with current standard treatment, Amgros and the supplier will negotiate the price of the pharmaceutical. Subsequently, Amgros will formulate

AMGROS WAS TASKED WITH ASSESSING SUPPLIERS' FINANCIAL ANALYSES AND NEGOTIATING PHARMACEUTICALS PRICES WITH SUPPLIERS.



Read more about how Amgros supports the Danish Medicines Council by providing economic evaluations and negotiating prices of new pharmaceuticals, as well as managing tenders and making evaluations of pharmaceuticals within therapy areas at: <http://www.amgros.dk/en/health-economics/>



a decision basis taking account of the costs of the pharmaceutical as well as its added clinical value. On this basis, the Danish Medicines Council will decide whether it wants to recommend the pharmaceutical as an option for standard treatment at Danish public hospitals.

Same therapy area

Amgros also supports the Danish Medicines Council in its assessments of existing pharmaceuticals targeting the same disease. Or, as we say: targeting the same therapy area. Once the Danish Medicines Council has assessed that several pharmaceuticals are equivalent and can be used to treat the same disease, Amgros will assess the financial costs of using these different pharmaceuticals. On this basis, Amgros will launch a tendering round.

Based on the result of the tendering procedure and our assessment of the costs associated with using different pharmaceuticals, the Danish Medicines Council will recommend which of the equivalent drugs should be the hospitals' primary choice to treat patients within the relevant therapy areas. The council will

recommend the pharmaceutical which overall is cheapest to use.

Positive feedback

This first year has been a year of development. And a year of learning. In collaboration with external healthcare economics experts, we have developed methods and processes for our economic analyses. In collaboration with the Danish Medicines Council, we had to work out how best to support the council in its daily work. We had to learn how to negotiate prices directly with suppliers. And the suppliers had to become familiar with all the new requirements that are bound to have a considerable impact on their business. However, in spite of the many challenges, suppliers have been positive towards the new dialogue-based negotiations. They have been willing to provide feedback, and we will use this feedback to improve our processes.

Due to this constructive and ongoing dialogue and feedback, in 2018 we can firmly state that we have come a long way since the Danish Medicines Council was established on 1 January 2017.



KNOWLEDGE,
KNOWLEDGE,
KNOWLEDGE

In order to optimise implementation of important agreements from Amgros and the Danish Medicines Council, hospitals and hospital pharmacies need access to relevant knowledge, much of which is available at Amgros. We want to become even better at sharing our knowledge with important collaboration partners.

We all have different tasks. The Danish Medicines Council, hospital pharmacies, hospitals and Amgros. However, our tasks are closely intertwined and can only reach their full value if we work together to attain the same overall goal: To provide uniform treatment for Danes across the entire country, and at the same time achieve the highest possible savings on pharmaceuticals.

This is not without its challenges. For example, how can we make sure that clinicians at hospitals follow recommendations from the Danish Medicines Council to use a new drug? How can we make sure that hospitals implement Amgros' agreements, thereby getting the most out of the money spent? And how can we make sure that drugs recommended by the Danish Medicines Council in new treatment guidelines are actually available at hospital pharmacies?

By staying at the leading edge. And by sharing important knowledge with each

other. This is the message from the secretariats of the regional hospital drug committees when Amgros visited them in late 2017 and early 2018. The regional hospital drug committees are responsible for ensuring that clinicians at hospitals comply with treatment guidelines from the Danish Medicines Council. The committees told us that, when the Danish Medicines Council issues new recommendations, clinicians need to know which patients should be given the new drug, and how it should be administered. They need to know when the new recommendations become effective, and they need to know the price of the new drug.

Complex landscape

Amgros has a lot of this knowledge. We have the systems. We have the figures. We have the analyses. We know how much the pharmaceuticals cost. We know how much the departments consume. We know which patients need treatment, and who can supply the drug. We know when a pharmaceutical will enter the market, and when the patent will expire.

Amgros has to become far better at sharing this knowledge with our important collaboration partners at hospital pharmacies and in the regions. This will not provide all the answers. But it will definitely help us all navigate in this complex landscape of stakeholders and interests to achieve even greater savings. In this way, we can provide uniform treatment for Danes across the entire country.

WE HAVE A COMMON GOAL: TO PROVIDE UNIFORM TREATMENT FOR DANES ACROSS THE ENTIRE COUNTRY

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We generate a wealth of knowledge through our business at Amgros. In order to utilise this knowledge more proactively, in 2017 we launched a series of dialogue meetings with secretariats of hospital drug committees and the secretariat of the pharmaceutical council at the Region of Southern Denmark. Based on incoming requests, we want to work with the secretariats of the hospital drug committees on developing targeted tools to support implementation of Amgros' agreements in the regions.

GOOD NEWS IN ROUND FIGURES

8,4

BILLION DKK
TOTAL PHARMACEUTICALS EXPENDITURE

In 2017, the regions procured pharmaceuticals amounting to DKK 8.4 billion through Amgros.

That's three and a half times the cost of building the national opera house in Copenhagen. Total expenditure on hospital drugs was DKK 654 million higher than in 2016. This corresponds to a percentage increase of 8.4%.

3,1

BILLION DKK
HISTORICALLY HIGH SAVINGS

In 2017, Amgros saved DKK 3.1 billion on procurements of pharmaceuticals for public hospitals. This is the first time we have achieved savings of more than three billion.

Savings were calculated as the difference between the Danish Medicines Agency's official list price and the price we actually paid after negotiation and tendering. Or in other words: the difference between high-street pharmacies' purchase price and hospital pharmacies' purchase price. In 2017, savings were no less than 27.2%, calculated as a percentage of the total price high-street pharmacies would have paid.



355

TENDERS ONE EVERY DAY

In 2017, Amgros managed 355 EU tenders on behalf of the regions. This corresponds to almost one tender every day throughout the year.

Overall, the tenders covered a total of 1,359 pharmaceuticals used by public hospitals.

413

MILLION DKK THE DRUG WITH THE GREATEST TURNOVER

Total costs of the drug Humira amounted to DKK 413,238,865 in 2017. Thus, the regions spent more money on Humira than on any other drug, and Humira tops the list as the drug with the highest turnover. Humira is primarily used to treat arthritis. Furthermore, Humira is in the group of drugs with ACT code L that, along with cancer medicine, make up around half of the total amount spent on pharmaceuticals procured by the regions through Amgros.

THERE'S VALUE IN WORKING ACROSS ORGANISATIONS

THE STRATEGIES WILL HELP US STAY AT THE LEADING EDGE OF DEVELOPMENTS IN THE HOSPITAL-PHARMACY PART OF THE HEALTHCARE SECTOR



Hospital pharmacies are represented in the Pharmacies-Amgros Coordination Committee and in four underlying professional fora. Together, we have formulated the national strategies. The four fora are: the Forum for Pharmaceutical Manufacturing; the Forum for Purchasing, Logistics and Supply; the Forum for Clinical Pharmacy and the Forum for Competence Development.

Joint IT solutions. And joint competence development. These are some of the results from the national strategies developed over several years in collaboration with hospital pharmacies. We continued this work in 2017. With four new strategies for 2018-2019.

At Amgros, we strive to make things happen, but we cannot do it all on our own. Along with hospital pharmacies in Denmark, we have formulated national strategies that help set a common course for collaboration between the hospital pharmacies and Amgros. Each strategy covers its own separate area: pharmaceutical manufacturing; procurement,

logistics and tenders to supply pharmaceuticals; clinical pharmacy; and competence development. Overall, these strategies will help us strengthen the focus of our collaboration.

They will help us stay at the leading edge of developments in the hospital-pharmacy part of the healthcare sector. For example, preparing the ground for treating ever more at home; finding the right solutions to implement decisions by the Danish Medicines Council; or managing back orders. Furthermore, the strategies will help us secure optimal conditions for our joint tasks. Together we have a stronger voice. Therefore, when the authorities issue a bill with new legislation for



consultation, we submit a joint response. And when we want to enter into dialogue with the authorities, we do so together.

Sharing our knowledge

Eight different hospital pharmacies are behind the national strategies, together with Amgro. We have all contributed to formulating the strategies. We have all committed ourselves to implementing them. The reason for involving the pharmacies is that collaboration across hospital pharmacies and the regions has proven very fruitful: In many contexts. Today, a clinical pharmacist in Esbjerg can access a common information database for hospital pharmacies and find solutions to challenges which were previously

addressed by pharmacy staff in other parts of Denmark. If a pharmacist assistant is to provide a magistral formula, he/she can find this formula in a common national database and see who manufactures the drug. We have also become better at calculating hospitals' expected consumption of pharmaceuticals. This allows suppliers to adjust their stocks, thus leading to fewer back orders.

Through the national strategies, we not only ensure that hospital pharmacies and Amgro provide the same high quality; we also ensure that the part of the healthcare system for which we are jointly responsible is constantly developing - and remains at the forefront.

WE WANT TO MAKE THINGS BETTER AND CHEAPER



We started by sharing our knowledge. We are now at the point where the contours of the first joint Nordic calls for tenders for pharmaceuticals for public hospitals are materialising. This will help turn the Nordic market into one large and much more attractive market.

Why solve challenges alone when we can stand stronger together? This is the fundamental idea behind the Nordic collaboration on supply of pharmaceuticals for public hospitals. Slowly but steadily, we have developed this idea to become reality. Having identified the areas that present the most obvious opportunities for collaboration, we are now well on the way with a pilot project to test the first joint Nordic tendering procedure.

This process serves several purposes. Firstly, to secure continued supplies of pharmaceuticals to public hospitals. Secondly, to pursue Amgros' mission to secure conditions for better health. With ever-increasing prices of new medicine, we constantly have to find new ways to manage costs.

Alike, yet not the same

The basis of our Nordic collaboration is to work together on aspects we believe will create value. And we believe it makes good sense to join forces on Nordic calls for tenders. In an ever more globalised world, in which pharmaceutical companies are growing bigger and bigger, and in which Norway, Iceland and Denmark are small markets on their own, teaming up will make the three countries more attractive markets for suppliers of pharmaceuticals. This is our hypothesis. And now we're ready to test it.



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In 2015, Amgros took the initiative to establish Nordisk Lægemiddel Forum (Nordic Pharmaceuticals Forum). The objective was to set up an informal space for Nordic collaboration. This collaboration focusses on identifying opportunities, sharing knowledge, and working towards common Nordic solutions. Currently, representatives from Iceland, Norway, Sweden and Denmark are taking part in the Forum.

WE BELIEVE IT MAKES SENSE TO MAKE JOINT NORDIC CALLS FOR TENDERS

This will not be entirely without challenges. We are alike, yet not the same. The Nordic countries have different setups and procedures to supply pharmaceuticals to public hospitals. In Denmark, the pharmaceutical companies supply directly to hospital pharmacies. In Norway, the distribution level has been put out for tender as well. In Iceland, pharmaceuticals enter the country by sea. And Sweden has a completely different and much more decentralised setup. Consequently, Sweden will not participate in joint Nordic calls for tenders to begin with, but will follow the process from the side-line.

Gathering experience

The pilot project is initially about gathering experience. How do we organise joint tendering procedures? How do we select pharmaceuticals suitable for joint Nordic tendering procedures? How do we

manage the different national setups? How do we measure value creation? And should we ultimately include far more pharmaceuticals in joint Nordic calls for tenders? These and other questions will be addressed in our pilot project.

We have taken the first steps. We still need to adjust the regulations. But politicians and the authorities have given their go-ahead. The engine is running. Ahead of us, we can vaguely see the contours of a more attractive joint Nordic market, with lower prices and more secure supplies of pharmaceuticals. A market which will also benefit the industry. But first of all, a market with an even better potential to provide patients in the three Nordic countries with the right medicine at the right price, when they need it, and where they need it.

THE LATEST TECHNOLOGY FOR EVERY DANE WHO NEEDS IT

In the past year, on behalf of the five regions, we concluded new framework agreements on hearing aids, remotes, and streamers. This not only means that the regions can expect savings of DKK 48 million over a four-year period; it also means that Danes can be treated with the latest technology.

All Danes with a loss of hearing are entitled to treatment at a public hearing clinic. However when, in collaboration with clinical experts in the area, we decide on requirements to be stated in our calls for tenders, we focus on products aimed at children, young people and citizens with complex hearing loss. In the most recent call, we placed high demands on technology and quality in order to ensure that public hearing clinics can provide the products that benefit Danish citizens the most.

These products include: Hearing aids that people can use in any situation – when they are playing sports, when they are at work or when they are at school. Hearing aids that support children in their language development, from birth and throughout their school years. Hearing aids that can be synced directly to a smartphone or tablet by means of the latest technology. But also hearing aids that are easy to operate for people with motor impairments. As far back as in 2015, we started preparing a tendering

procedure for supply of hearing aids with a total value of DKK 520 million. The work was carried out in collaboration with a user group comprising a large number of experts, including consultants, speech and language therapists, audiology assistants and technical staff, and with representatives from all five regional authorities. We have now concluded new framework agreements with ten suppliers, who will supply a total of more than 300,000 hearing aids to public hearing clinics over a four-year period.

Keeping our hands on the reins

The new framework agreements allow suppliers to update their range of products twice every year – and in line with technological developments. This gives clinics and patients access to the latest technology.

Concluding framework agreements does not mean that Amgros has let go of the reins. We still cater for public hearing clinics by following up on stock control and deliveries of hearing aids to citizens. Furthermore, we maintain close dialogue with hearing clinics, the regions and the suppliers in order to consolidate our collaboration and in order to keep up to date with developments in the area.

In this way, we ensure that public hearing clinics can provide hearing aids with the latest technology.



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On behalf of the five regions, Amgros makes calls for tenders for supply of medical devices and hearing aids. We participate actively in collaboration in Regionernes Fælles Indkøb (RFI), which is responsible for joint regional procurement for the five regions. Amgros predicts that for the entire four-year agreement period, the regions will achieve total savings of DKK 48 million due to joint procurement of hearing aids.

HEARING AIDS THAT CAN BE SYNCED DIRECTLY TO A SMARTPHONE OR TABLET BY MEANS OF THE LATEST TECHNOLOGY.



This summer, Amgros will have a new board. The board will set the course and leave its mark on the future of Amgros in a rapidly evolving world. A world that is getting smaller, and in which all EU countries are struggling to cope with the challenges of keeping within drugs budgets, of choosing pharmaceuticals and of securing supplies of pharmaceuticals for hospitals. So, what could be more natural than collaborating across national borders, even though this may be difficult to begin with. We need to be generous, and we need to utilise the knowledge, competences and experience that is already available. This will strengthen and develop our national solutions, and it will give other countries the best Denmark has to offer. We will invest resources and we will prioritise the task. And we will consolidate our international collaboration with other EU countries on tendering and procurement. We will exercise due care, and if we work together, we will all stand stronger in the long term.

Flemming Sonne,
CEO

THREE DIRECTORS LOOK AHEAD





My dream for 2018 is that we succeed in establishing strong collaboration with the regions' hospital drug committees. Amgros has a wealth of knowledge that can support implementation of Amgros' contracts, thereby providing the regions with the greatest possible benefits from our work on negotiations and tendering. We are not good enough at utilising our knowledge proactively. However, the message from pharmacy staff is that "when we call with a question, you know the answer". Therefore, together, we need to find solutions that enable Amgros to provide the answers before pharmacies have to call. We need to make knowledge available at the right time, in the right form and in the right quantity.

Trine Kart,
Deputy Chief Executive and Director
of Strategic Business Development and Support

We will strive to keep prices of new drugs at a level that gives Danish patients access to new, expensive pharmaceuticals – without breaking budgets. We will achieve this by enhancing our work on negotiations and supporting the Danish Medicines Council so that they can make well-documented decisions on a solid foundation. However, we will also consider the possibility of making agreements that are more individual. We will ensure competition quickly after a patent expires. And we will ensure that hospitals implement new guidelines and recommendations. In order to safeguard supplies and availability of vital medicine at Danish hospitals, we will continue our work to implement our own stock and to set up a national taskforce to manage critical back-order situations. We also need to consolidate our platform for procurement of medical devices by considering purchases early on, for example when developing national treatment guidelines in a given area.

Lise Grove,
Director of Strategic Procurement
and Supply of Pharmaceuticals

THE CORE TASK OF
AMGROS IS TO
ENSURE THAT DANISH
PUBLIC HOSPITALS
HAVE THE RIGHT
MEDICINE AND THE
RIGHT MEDICAL
DEVICES, AND THAT
THESE ARE AVAILABLE
AT THE RIGHT PRICE,
IN THE RIGHT PLACE,
AT THE RIGHT TIME
AND IN THE RIGHT
QUALITY. ALWAYS
WITH PATIENTS IN
MIND, AND ALWAYS
THROUGH CLOSE
DIALOGUE AND
COLLABORATION.