



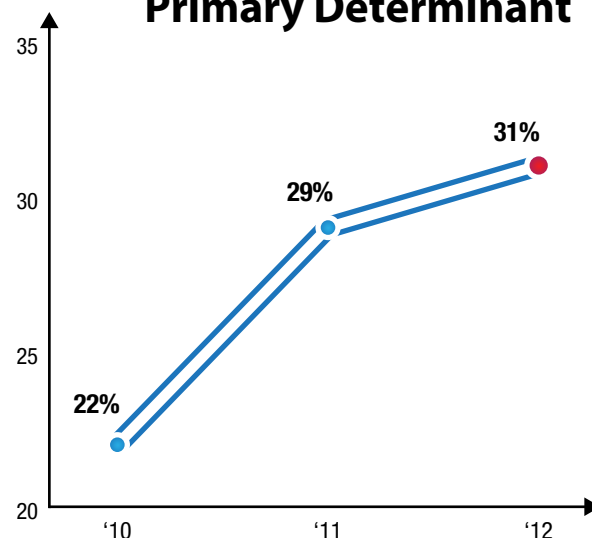
## PURCHASING CONSIDERATIONS FOR GENERICS

In the second quarter of 2012, PP&P polled a random, nationwide sampling of health system pharmacy directors on the factors impacting their generic drug purchasing decisions. We asked about factors that motivate their purchasing decisions, off-contract purchasing, impacts from shortages, gray market purchasing, current budgets, and future spending projections. We received a total of 468 responses, yielding a confidence interval of 4.34 (95% +/- 4.34).

The results corroborate the pervasive impact of drug shortages on all purchasing decisions, including the rise of off-contract purchasing in the search for reliable sources of product. Virtually every facility is affected by drug shortages and a high percentage of these shortages involve generic drugs. In addition to a loss of credibility with medical staff and decreased satisfaction among pharmacy staff, shortages are driving up costs and creating dangerous situations such as compromised patient care, delayed procedures, and, most worrying, increases in adverse and sentinel events. Additional fluctuations in the availability of bar coded unit dose generics mean increasing resources are necessary to manage the purchasing process.

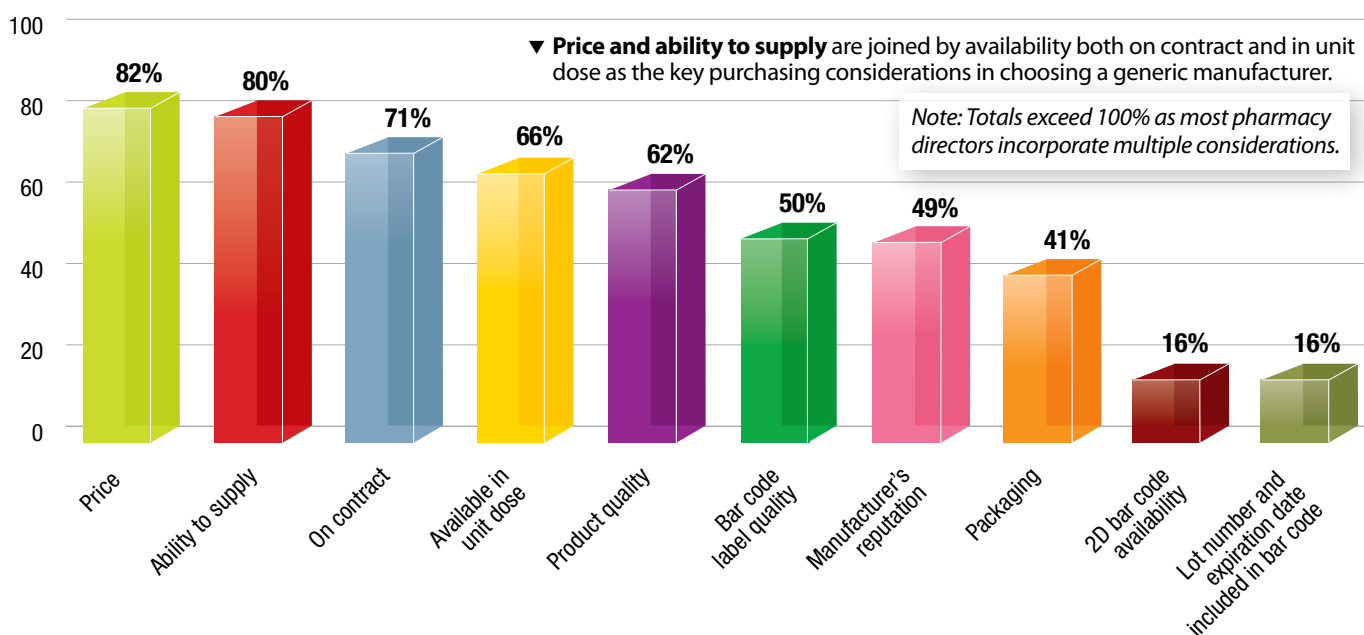
Fortunately, drug budgets reflect this reality and most facilities expanded their overall drug spending this year. This trend is projected to persist with strong generic budget increases driving a significant portion of drug budget growth.

### Price as the Primary Determinant



▲ Fewer than one third of pharmacy directors cite price as the primary determinant for choosing a generic manufacturer; nonetheless, the percentage is trending upward. Notably, smaller facilities (<200 beds) are somewhat more price conscious than their larger counterparts.

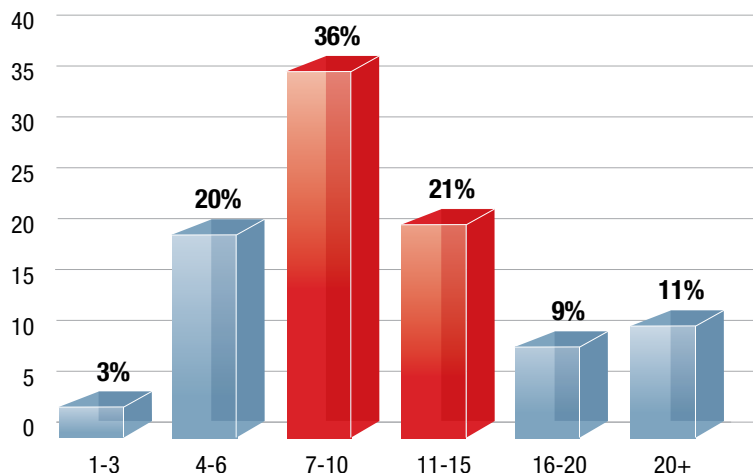
## Purchasing Considerations





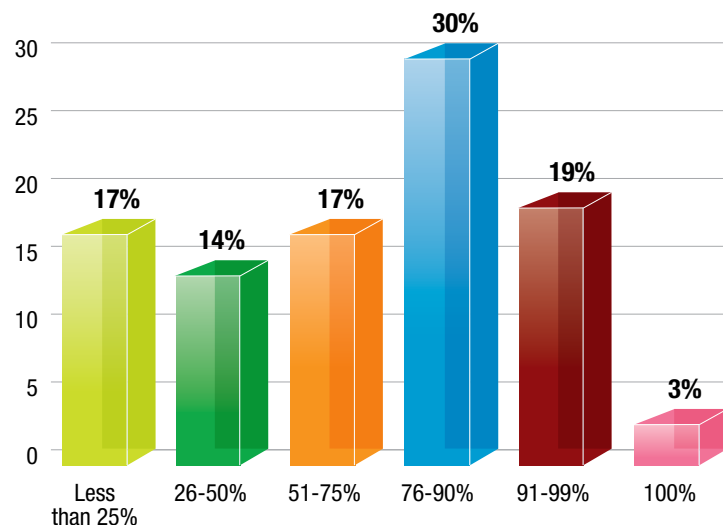
## PURCHASING CONSIDERATIONS FOR GENERICS

### Number of Generic Manufacturers Used



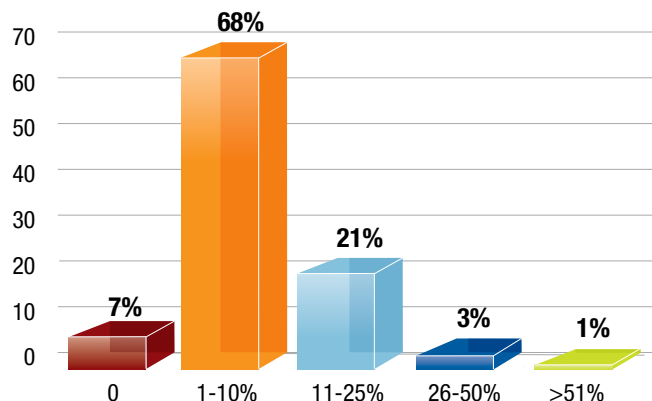
▲ **The constant fluctuations in product supply, pricing, contract status, and unit dose availability make generic purchasing a time consuming process.** Sourcing from multiple manufacturers remains the norm with most facilities purchasing their generics from seven to 15 different generic manufacturers.

### Percentage of Generics Purchased in Bar Coded Unit Dose



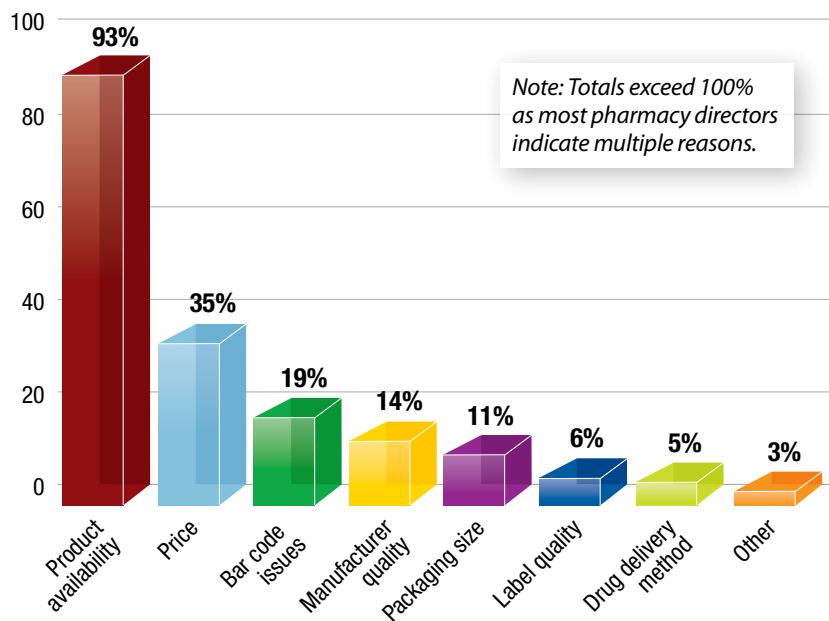
▲ **While the availability of cost effective, unit dose generics remains inconsistent,** just over half of all facilities (52%) are able to purchase most (>75%) of their generics in this preferred format.

### Percentage of Generics Purchased Off-contract



▲ **The occasional practice of off-contract purchasing is becoming increasingly common.** In 2010, just 17% of facilities purchased greater than 10% off their generics off-contract; that number increased to 20% last year, and reached 25% this year.

### Reasons for Purchasing Off-contract



▲ **The universal problem of product availability** is the main driver for the rise in off-contract purchasing.