

MEDICAL NEWS

The business of healthcare

HEALTHCARE VENDORS

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It's a patient, not a package

Inside healthcare logistics at UPS.

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Rich Shaver

Most know my company, UPS, as the behemoth small package delivery company famous for our friendly, reliable drivers and our brown trucks for more than 100 years.

Many others also know that we have been in the supply chain and logistics business for decades, providing a broad range of distribution, transportation (including air, ground, ocean and rail/intermodal freight), customs brokerage and specialized logistics services for companies in nearly every industry. A lesser-known, but extremely important side of UPS is its healthcare logistics business, which has seen tremendous growth on a global scale for the past several years.

Why healthcare for UPS?

UPS determined many years ago that healthcare is a great industry for our company because of the very precise standards required and the low tolerance for failure. As an engineering-based company with extremely high quality standards and precise delivery and measurement, UPS's culture, expertise and capabilities are a great match for the healthcare industry.

We understand that the healthcare products we touch every day have a significant impact on people's lives, which led to the development of a philosophy that UPS has in the healthcare industry: "It's a Patient, Not a Package." What this means is that we treat every healthcare product as



one that could potentially save a life, and we train the employees in our healthcare facilities on the very specific needs and requirements of these products to ensure that they are protected at every stage of their supply chain journey to the end customer or patient.

One of our key differentiators and a top reason that healthcare companies come to us is for our high standard of compliance and regulatory expertise. Regulations in healthcare are complex and continuously evolving around the world. We have a dedicated team of quality affairs and regulatory compliance experts who stay ahead of the changing regulations in key world markets and help our customers manage the often-complicated logistics of compliance.

One of UPS's healthcare facilities in Louisville.

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Another reason that the healthcare industry makes so much sense for UPS is the growing need for more complex logistics solutions in healthcare, which is our specialty area. Industry trends such as more global customer bases, changing distribution channels such as direct-to-retailer and direct-to-patient models, more complex regulatory requirements, more temperature-sensitive drugs and products coming into the pipeline, and industry cost pressures have all been factors in making healthcare logistics more critical than ever before.

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What We Do

Our healthcare customers include companies in the pharmaceutical, biopharma, medical device, equipment and medical supplies sectors, including most of the top 50 pharmaceutical companies. Overall, what we do for these companies is design and execute supply chain strategies to help them capitalize on new market opportunities while driving as many supply chain efficiencies as possible to keep costs down while also improving customer service.

We have built a network of global healthcare distribution facilities that enables us to move products quickly and compliantly around the world. Healthcare companies can tap into our global supply chain network that gives them access to every mode of transportation so that they can get products to market in the most effective and efficient manner possible depending on the specific product's needs. One of the biggest advantages we give healthcare companies

is greater flexibility and agility around the globe. What this means is that companies are able to leverage our existing network and assets to move products quickly and scale up and down as needed while minimizing investments in their own assets.

Our business model for healthcare is designed so that we can manage either portions of healthcare companies' supply chains or their entire supply chain function, depending on their needs and business goals. We handle everything from transportation to distribution, compliance expertise, to customer service, and even back-end accounts receivables functions. The types of companies that benefit most from working with us are: those with growing supply chains and expanding customer bases; those entering new markets; companies with temperature-sensitive product storage and distribution needs; companies that need to get products to market quickly; and any company looking to improve customer service and drive more efficiency and flexibility in their supply chain.

One of the best ways to understand what we do is to look at our healthcare customers. For example, we have helped Endo Pharmaceuticals, a leader in pain management; get ahead in the marketplace by speeding its distribution process to get new drugs to market faster. We also developed a solution for protecting its high-value temperature-sensitive drugs to help the company safely deliver medicines around the world. We also helped leading biotech company Genzyme develop and implement a drug serialization system to track its products all the way down to the bottle level to ensure patient safety. Then there is medical device company ConvaTec, who we helped improve order turn-around times for its ostomy products from four days down to just one and a half days. This significantly improved customer service, while also improved the company's collections process and decreased its Days Sales Outstanding by 30 percent. These are just a few of many examples.

Where we are

UPS has healthcare operations around the world with more than 30 global healthcare facilities and operations in North and

South America, Europe, Asia and key emerging markets. And that number is quickly growing. Just this year, we expanded our healthcare presence with new facilities in Singapore; Venlo, the Netherlands; Burlington, Ontario; and Louisville, Ky. Each of our facilities house a combination of distribution services, which can include temperature-sensitive capabilities, regulatory compliance, monitoring and security, kitting and labeling, order and cash services and pharmacy services.

Currently at more than 1 million square feet, Louisville, Ky. is the site of two healthcare facilities, with a third to open in late 2011 and a fourth in 2012. This healthcare logistics campus is located strategically near Worldport, UPS's largest global air hub. This location allows us to move products internationally in or out of North America and provide next-day deliveries for customer orders received as late as 11 p.m. UPS ground deliveries can be delivered within two days or less to 60 percent of U.S. locations.

What do all of these things mean for healthcare companies? They mean global reach, speed to market, reliability, access to vast networks, resources and expertise – and competitive advantage.

Types of Healthcare Companies Benefiting From UPS

- Companies with growing supply chains and expanding customer bases.
- Companies entering new markets.
- Companies with temperature-sensitive product storage and distribution needs.
- Companies that need to get products to market quickly.
- Company looking to improve customer service and drive more efficiency and flexibility in their supply chain.