

Branded and Generic Specialty Pharmaceutical Distribution



Richard Gaton
Co-founder & President

BDI Pharma has continuously refined the concept of niche distribution, providing solutions beyond the traditional wholesaler model since 1995. We operate as an extension of our partners' sales force, create demand, and move market share with each transaction. In this regard, we maintain a highly selective process when entering into a strategic partnership. Our approach of serving the manufacturers as well as the customers over nearly two decades has proven successful in varied market conditions. This is further supplemented through innovative supply solutions, extensive product knowledge, 24/7 emergency availability and urgent need delivery. An open-access resource for reference material, educational literature, market data and online ordering, BDI Pharma's home web page www.bdipharma.com (also www.ivig.com) has become an industry-renowned point of reference. Proprietary programs covering comprehensive reimbursement services - www.bdiaccess.com and 855-BDI-CARE; and product consignment - www.bdivantageplus.com; are just a few of the solutions tailored to the needs of the healthcare community. BDI Pharma's product portfolio includes IVIG, branded and generic specialty pharmaceuticals, chemotherapy products, vaccines, albumin, coagulation factors, hyper immune globulins, and other specialty injectables.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

CEOCFO: Mr. Gaton, what is the concept at BDI Pharma?

Mr. Gaton: BDI Pharma is a specialty pharmaceutical distributor with two decades of expertise in branded and generic specialty pharmaceuticals. Our corporate goal is threefold; for our manufacturing partners we strive to move market share and function as an extension of their sales force. For our customers, we provide valuable resources enabling them to make educated buying decisions and contributing to the profitability of their organizations. Finally, we understand the importance of making sure that lifesaving therapies reach the patients who need them the most at the time they are needed.

CEOCFO: What makes a product specialty?

Mr. Gaton: Specialty pharmaceuticals are complex therapies that serve small patient populations. These drugs typically have unique compositions that are meant to treat complex disease states. The expensive nature of these therapies dictates specialized inventory management and a high touch service model.

CEOCFO: Are there many distributors in the areas that you cover product wise?

Mr. Gaton: Given the specialized nature of our product portfolio, we function either as an exclusive partner with the manufacturer or in a limited distribution network. Therefore, we have limited competition in the market that we serve.

CEOCFO: Why use BDI Pharma?

Mr. Gaton: The trend toward specialty pharmaceutical utilization requires that a specialty distributor is able to provide more than just the traditional pick, pack and ship services. A more comprehensive, high touch, high service platform is required to ensure proper cold chain management and an understanding of reimbursement requirements due to the expensive nature of these critical care drugs.

CEOCFO: Would you explain why you need a higher service level in this arena?

Mr. Gaton: We are dealing with very expensive, life-saving critical care pharmaceuticals that are subject to a limited shelf life. They require specific temperature controls. We pull the drug through from the manufacturer to the end user meaning that we have a responsibility to make sure close attention to detail is paid throughout the entire process.

CEOCFO: Do your customers know what they want when they are ordering?

Mr. Gaton: As we are an Authorized Distributor of Record, our customers have access to the complete product portfolio when they are ordering. Each circumstance varies. Some customers know exactly what they need. For others, our highly

trained representatives are able to provide education for those requiring more clinical, educational and financial assistance.

CEO CFO: How do you make use of technology in logistics and information tracking?

Mr. Gaton: We are evolving the way we utilize technology to support our logistics operations and customer needs. Even our definition of "customer" has changed. We have customers throughout the entire supply chain from manufacturers to purchasers who receive our prescription drug shipments. Advanced technology is crucial to ensure that their needs are met. BDI made an investment in 2011 to upgrade our technology platform to SAP, better enabling us to communicate electronically to our customers and drive supply chain efficiencies. In 2012 and 2013, we continued to invest in our SAP platform so we could fully leverage this asset. In a continuing effort to support our customer needs and future government regulations, BDI launched a 2D Barcoding initiative this year providing for the track and trace requirements and advanced reporting capabilities that will allow us to monitor real-time product demand and product movement.

CEO CFO: How do you decide what to carry?

Mr. Gaton: When we started our business, we had a very small set of products. As we grew and diversified our product portfolio, we had to go through calculated phases of product rationalization. Some of the determinations are based on customer demand, and some may be based on a new product that comes out from one of our existing manufacturers. We go through a rationalization process via committee to determine whether a drug is a viable product for us that will complement our portfolio.

CEO CFO: Are there some products that are just too difficult to work with and that you would pass by because of that?

Mr. Gaton: At the current moment, the only classification of drug we avoid is controlled drugs.

"Business is strong at BDI. We had a record growth year in 2013, growing our revenues by 40%, while at the same time, maintaining a healthy bottom-line. We are off to a great start so far in 2014." - Richard Gaton

CEO CFO: Would you provide an example of where the special handling comes in and how you are able to service your client well?

Mr. Gaton: BDI has always considered itself a specialty distributor. Most of the products that we handle have cold storage requirements and are shipped overnight. In the past year, we have focused on expanding our specialty capabilities by handling and shipping frozen products. Handling this type of product has allowed us to increase capabilities, thereby continuing to add value throughout the supply chain. The handling of frozen products not only requires BDI to have advance capabilities, but to pre-qualify our customers that are receiving these types of products. Typically, we utilize our consignment program to make sure that these life-saving products are on hand for immediate access.

CEO CFO: Do you evaluate some of the newer methods as far as how things should be shipped and transported?

Mr. Gaton: BDI is obligated to ship in accordance to our manufacturer's specifications. Where possible, we partner with our manufacturers to validate some of the newer cold storage shipping technologies. We are currently evaluating the use of continuous temperature monitoring technology to ensure that the product is never exposed to ambient temperature beyond stated specifications.

CEO CFO: Would you tell us about the MERREM Commitment Program with AstraZeneca. Is that representative of how you work with manufacturers?

Mr. Gaton: This is a great example of how BDI provides a higher level of service to a manufacturer. Throughout BDI's 19 years of business, we have focused heavily on blood related products that require special handling, care and services. Handling these products required BDI to develop an effective platform for specialized pharmaceutical drugs. The MERREM Commitment Program is an example of BDI creating a customized supply chain solution for AstraZeneca.

CEO CFO: In the potential market for you, does everybody know BDI by now or are there still introduction, sales and marketing that you need to do?

Mr. Gaton: We are well known in the industry within our core business segment. Our visibility is continuing to increase as we establish our footprint with the traditional big pharma companies as they are investing in technologies for drugs that would fall into the non-traditional route of distribution. These manufacturers are looking for a service-based solution from their distributor partners.

CEO CFO: Would you tell us about your facilities?

Mr. Gaton: Our Columbia, South Carolina headquarters is a 34,000 square foot facility with 14,000 square feet of warehouse space. Through the acquisition of a neighboring facility, we recently added an additional 13,000 square foot

building to our corporate campus providing for the expansion necessary to accomplish many of the company's key strategic initiatives. We ship out of our Columbia, SC warehouse and soon we will open a second distribution site west of the Mississippi.

CEO CFO: Why is this the time for a second site?

Mr. Gaton: As we grow and as we pick up these new lines of specialty products, the demand is there for us to have redundancy built in to our shipping capabilities.

CEO CFO: What are your plans for how you handle a facility that is not under your direct eye?

Mr. Gaton: BDI has several accreditations, certifications & licenses including Healthcare Industry Supply Chain Institute and National Association of Boards of Pharmacy - VAWD certifications, and we are fully licensed in all applicable states to ship nationwide. As part of our business continuity strategic plan, BDI has committed to opening our second distribution center in 2014. As far as the management of this facility goes, we are cGMP compliant and confident in our documented SOP's. With our SAP system, optimizing the logistics of product movement from both locations will make the management of the second distribution center possible while maintaining business continuity.

CEO CFO: Why is giving back important for BDI?

Mr. Gaton: Giving back is important for many reasons. It is crucial that our employees know more about the lives that we touch on a daily basis. One such example is through our sponsorship of children and young adults through Save One Life, which is a wonderful organization that not only creates awareness and opportunity for patients with hemophilia here in the United States but abroad as well. In third world countries, they help drive the awareness and access to products for these children who would die without it. It is important to give back to that community, which we serve through distribution. It is essential in what we do.

CEO CFO: Are there particular areas of focus in your giving?

Mr. Gaton: There are many opportunities, both large and small. We are involved in individual programs and regional programs as well as through our commitment to Save One Life. One recent example is our donation of several iPads to The Richard S. Fusco Foundation, an organization that provides tablet computers to under-privileged cystic fibrosis patients who spend copious amounts of time in the hospital.

CEO CFO: How is business these days?

Mr. Gaton: Business is strong at BDI. We had a record growth year in 2013, growing our revenues by 40%, while at the same time, maintaining a healthy bottom-line. We are off to a great start so far in 2014.

CEO CFO: What accounted for the record growth?

Mr. Gaton: BDI has increased its level of sophistication to meet the changing dynamics of our industry. We have become more even more focused on differentiating ourselves in the plasma industry through our unique programs. The key to our future and continued growth is in creating customized solutions to unmet needs by our customers by hiring critical talent with the proper bandwidth to handle the tremendous amount of initiatives that we have in play.

BIO: Richard J. Gaton co-founded BDI Pharma in January of 1995 originally as Blood Diagnostics, Incorporated. In February of 2009, the company moved in to a new facility in the Carolina Research Park of Columbia, SC, rebranding as BDI Pharma, Inc. and in 2011 was named in the Moore School Study of High Impact Firms (University of South Carolina) as one of the state's "Top Large Firms".

Mr. Gaton currently serves as Vice Chair of the Heathwood Hall Episcopal School and has served multiple terms on the Board of Directors of HDMA, Healthcare Distribution Management Association, board of directors of SCBIO and the Salvation Army. He is a Liberty Fellow, class of 2012, a member of the Aspen Global Leadership Network and a member of YPO, Young Presidents' Organization. Gaton is a graduate of the Isenberg School of Management at the University of Massachusetts, Amherst in 1989.



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