2017 Global Smart Hospitals’ Pharmacy Automation Vendor Company of the Year Award
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Background and Company Performance

Industry Challenges

The healthcare industry’s multifaceted transformation poses great challenges for the tertiary centers of care delivery, the hospitals. Reimbursement trends and value-based care require hospitals to improve operating margins by reducing costs. At the same time, they must ensure more productive and better quality visits between clinical staff and patients that afford improved outcomes and overall efficiency while addressing patient satisfaction expectations.

In the area of central pharmacy, several challenges impact efficiency and productivity. For instance, hospital pharmacists and technicians frequently dedicate hours to daily fulfillment of patient medication orders, whether the pharmacy follows a decentralized, centralized, or hybrid model of medication distribution. Managing a hospital pharmacy’s inventory is no easy task, requiring constant product inventory checks and ordering items that are in short supply. These tasks make highly-compensated pharmacists focus on simple, time-consuming activities instead of on their core clinical job. The manual inventory management process also makes it impossible for a hospital to accurately predict drug requirements, usage patterns, and potential overstock or shortages.

Within the nursing area, drug diversion is a major challenge, especially concerning opioids given the rising incidence of addiction. Identifying and preventing such occurrences is extremely difficult because several users interface with medication dispensing systems daily. Any other bottlenecks or issues with medication usage patterns mean that it may take hours or even weeks to pinpoint the root cause for rectification.

Manual dispensing by nursing and other clinical staff also means the medication administration process is prone to human error, which is a critical concern because medication errors can be life-threatening. Moreover, when nurses spend considerable time manually locating medication, they devote less time to engaging with their patients.

In both pharmacy and nursing areas, the need for automation is extremely high, and the time to implement solutions is now, when hospitals are working to improve their margins and clinical care ratings. However, hospitals attempting to become ‘smart’ by adopting the latest automation and digitization tools struggle to determine the right automation steps to integrate solutions and align workflows for optimal results. Improper alignment can result in the counterproductive introduction of new manual steps, even while eliminating others, which may derail achieving the desired efficiency results.

Beyond the hospital, medication non-adherence by patients poses a serious challenge. While some patients never fill their prescriptions, others stop taking the prescribed medication altogether, miss doses, or divert from the correct dosage instructions.
Cumulatively, these challenges result in poor patient outcomes, which lead to increased healthcare costs. In the United States alone, the medication adherence issue is responsible for over $290 billion in avoidable costs.

**Visionary Innovation, Performance and Customer Impact**

Omnicell, a preferred pharmacy automation vendor, provides smart solutions that help hospitals deal with many of the challenges they face, and over the long term, achieve excellent patient outcomes at minimum operational costs.

**Best-in-Class Product and Service Portfolio**

Omnicell focuses on providing the most comprehensive medication and supply management portfolio in the industry that stretches across the entire continuum of care—from acute care hospital settings to post-acute skilled nursing and long-term care facilities to the patient’s home. This future-ready company is a global leader in medication and supply dispensing automation, pharmacy automation, IV compounding technology, analytics software, and medication adherence solutions.

**Solutions for Hospitals and Non-Acute Care Facilities**

For hospitals as well as non-acute care sites such as long-term care facilities, Omnicell offers pharmacy products for any medication distribution model that support ordering, receiving, packaging, stocking, picking, and dispensing processes. Products used in the pharmacy include inventory management software, carousels, barcode packaging technology, robotic inventory management systems, and IV compounding automation. The Performance Center solution, which combines the benefits of medication inventory analytics and a dedicated expert team, helps drive improved performance for the hospital pharmacy.

Products used in patient care areas, operating rooms, and procedure areas include automated medication and supply dispensing cabinets and related software, including diversion analytics. Omnicell recently introduced the XT series, its newest generation of automated dispensing cabinets. The XT Automated Dispensing Cabinets were designed with modern new hardware technology and other features intended to improve workflow efficiency, medication security, and patient safety. For example, the cabinets have 50% more capacity compared with similar units on the market, which helps prevent stockouts and missing doses that can delay patient care.
“Partnering with Omnicell in the development of the new XT cabinet gave me an in-depth opportunity to understand and appreciate the many enhancements the new platform offers, many of which improve workflow efficiency and medication accountability.”

Matthew J. Kelm, PharmD, MHA
Associate Chief Pharmacy Officer, Duke University Hospital

Analytics software tied to automated dispensing systems help address the growing challenge of drug diversion in nursing and other areas of the hospital. Omnicell Analytics is a web-based diversion analytics tool that streamlines the process of monitoring potential drug diversion. An academic medical center has identified over 20 diverters in one year using the software. Realizing the rising importance of monitoring and securing controlled substances, even in the central pharmacy, the company offers its Controlled Substance Manager, which integrates with the automated dispensing cabinet to provide closed loop tracking of controlled substances throughout the healthcare facility. Diversion analytics, controlled substance inventory tracking, and security features built into Omnicell® Automated Dispensing Cabinets make Omnicell a leader in the area of drug diversion prevention solutions.
Solutions for Retail Pharmacies and Patients

For retail pharmacies, Omnicell offers medication adherence solutions such as the SureMed® adherence packaging solution and pharmacy-based patient care software. The SureMed blister cards clearly organize multiple medications in an easy-to-follow format that helps promote patient compliance with medication regimens. A variety of automation tools aid pharmacies in filling the SureMed cards. Omnicell has collaborated with Medisafe in incorporating SureMed information in a mobile app for helping patients improve medication adherence. In international markets, Omnicell offers robotic dispensing systems for original pack medications.

Services

In addition to its portfolio of products and software solutions, Omnicell offers services to help customers gain the greatest value from their offerings. IV compounding, for example, is a costly process for hospital pharmacies, accounting for 56% of their total costs. Moreover, improper compounding can put patient safety at risk. Some hospitals prefer outsourcing this task, but doing so can be a costly affair. In addition to selling its IV compounding robotic technology, Omnicell offers a solution where they provide this technology and a trained pharmacy technician to operate the robot. This allows their customers to reduce the costs associated with outsourcing while producing higher quality IV products through a fully automated process.
Another unique solution that differentiates Omnicell and exemplifies an industry best practice is Omnicell’s Performance Center. As mentioned previously, this is a unique combination of software and consulting services that is tailored to each customer’s needs. Omnicell’s pharmacy and supply chain experts continuously monitor the customer’s data and work with them to identify opportunities to work towards their long-term goals. By partnering with the Performance Center team, hospitals secure both the technology and the ongoing support to improve operational efficiency, comply with increasing regulatory requirements, and enhance patient safety. Aultman Hospital of Canton, Ohio, has yielded $1 million in savings in just under two years through its partnership with Performance Center.

“As a leadership team we meet once a month to review results. Our scorecard (supplied by the Performance Center) provides concrete data that allows us to make informed decisions to improve our medication management program.”

Adam Luntz

Chief Financial Officer, Aultman Hospital

Flexible, Future-ready Technology, Industry-leading Strategy

Omnicell’s strives to provide maximum automation that requires minimal manual input. By taking a strategic approach to design that considers existing hospital workflows and ways to improve them, Omnicell is able to deliver superior products. Omnicell seeks to employ the latest technologies across its portfolio as well as make its products future-proof. For example, Omnicell’s Performance Center leverages cloud technology to help health systems make better medication management decisions. As a vendor-agnostic solution,
Performance Center enables health systems to automate and manage medication across all care settings, regardless of the solution provider. The company’s Pandora Analytics software for monitoring drug diversion is also vendor-agnostic. The Starbus electronics architecture in the Omnicell XT Automated Dispensing Cabinets enables wireless accessories and is adaptable to future innovations.

One way Omnicell provides greater flexibility in clinical workflow and keeps its technology ahead of the curve is through its interoperability with key electronic health record (EHR) systems. The Omnicell Automated Dispensing Cabinet independently integrates with a hospital’s EHR system, such as Epic or Cerner, updating patient records to stay current on medications they receive. This interoperability eliminates the step requiring a nurse to enter this information manually in the EHR. With the medication system being the second-most accessed system in a hospital after the EHR, interoperability between the two saves the nursing staff a significant amount of time, freeing them to focus on their primary task of clinical care. In addition to this functionality, Omnicell offers closed loop software that automatically identifies variances between medications dispensed from the cabinet versus medications documented as administered and/or wasted in the EHR, which can save pharmacy and nursing staff time spent addressing variances. No other medication dispensing vendor in the industry provides this level of interoperability with the EHR.

**Customer Satisfaction**

Omnicell counts over 4,000 global healthcare facilities as its customers and serves over 32,000 institutional and retail pharmacies. Customer satisfaction is also reflected in the trend that every year a majority of Omnicell’s new customers are competitive conversions rather than greenfield accounts. For example, in 2016, only 23% of its new accounts were greenfield while the remaining 77% were competitive conversions.

Omnicell values its customers above everything else. This is best illustrated by a statement offered from a satisfied client:

> “We felt that Omnicell had superior technology, but relationship was the number one reason we selected them. Omnicell made it clear that they were willing to work with us to find the solution that best fit our needs. They said they wanted to provide us with the best customer experience in healthcare, and they delivered.”

Delivering the best possible customer experience and satisfaction underpin Omnicell’s success in retaining its loyal clients as well as in converting competitors’ customers.

There are several reasons why customers are continually satisfied with Omnicell. Not only are its products best-in-class, award-winning solutions, but compared to the competition, they provide higher value with lower long-term overheads and offer a predictable cost of ownership. Importantly, these products are well designed for backward and forward compatibility, enabling hospitals to adopt newer generations of Omnicell products at their
own pace. Also, Omnicell ensures that all of its installed systems comply with regulator standards and receive periodic software upgrades so they operate using the latest software. Customer feedback, moreover, is incorporated into new products. And concerning installation, Omnicell has a proven methodology and expert implementation team to ensure an effective user experience.

Still, the biggest contributor to satisfied customers is the significant return on investment (ROI) they enjoy—financial, clinical, and operational. For example, leveraging the Performance Center to improve pharmacy operations across its health system, Advocate Health Care saw a 77.8% increase in inventory turns and nearly $9.5 million in savings. A study undertaken by Hackensack University Medical Center provides an example of improved clinical performance. After replacing its automated dispensing system with cabinets from Omnicell that included unique features for managing medications, such as a system for remotely queuing medications, Hackensack saw a 40% reduction in time to first dose for a particular IV antibiotic and a 13.3% reduction in scheduled time to administration time for all IV antibiotics. In terms of operational outcomes, Hackensack is also benefiting from Omnicell Analytics, which is saving them hours of time per week by automating manual processes spent on diversion monitoring.

“The administration time for antibiotics is critically important for preventing infection and promptly treating infection. The Omnicell medication dispensing system enabled us to refine our processes and get medications to patients faster—and that allows us to improve patient care.”

Nilesh Desai, BS, RPh, MBA,
Administrator, Pharmacy & Clinical Operations, Hackensack University Medical Center

Financial Performance

Omnicell has posted an impressive 22.34% CAGR (2012–2016) in non-GAAP revenue growth. In particular, 2016 was an exceptional year for the company, recording a 45% year-on-year growth over 2015. This growth was bolstered by total product bookings of $541 million, as against $392 million in 2015, representing 38% year-on-year growth. For 2017, Omnicell expects to top a 20% growth rate for product bookings, and aims to convert product backlogs to revenue. While 62% of Omnicell’s revenue comes from purchase of capital equipment and software, the remaining 38% is of recurring nature—26% from services and 12% for consumables.

The company’s guidance aims at returning to a respectable revenue growth rate of 8 to 12% for 2017, in spite of several initiatives that impact revenue and profitability, such as the installation of new centers of excellence for product development, engineering, and manufacturing, as well as manufacturing ramp-up to meet demand.
Growth Strategy

Omnicell has employed a three-pronged strategy to ensure growth and long-term success in today’s competitive environment. The first approach is to deliver a differentiated platform of solutions that allow healthcare providers to improve business and patient outcomes. The second approach is to assess and enter potential new markets. Omnicell has done this by developing solutions and services for the IV segment in hospitals as well as solutions for retail pharmacies (outside of hospitals). Also, the company is expanding in international markets including Western Europe (France, Germany, and the United Kingdom), Singapore, South Africa, China, and the Middle East. Finally, the third strategic approach, which has helped Omnicell develop a robust portfolio of solutions, is the rate of acquisitions for horizontal expansion. Since 1999, Omnicell has successfully acquired and integrated 12 pharmacy solution providers, 6 of which occurred in the last 7 years. The two most recent acquisitions of Aesynt and Ateb have proven highly beneficial, allowing Omnicell to build one of the broadest and most comprehensive solution sets for pharmacy businesses in the industry. The success of this three-pronged approach to growth is evident in the company’s impressive performance, as outlined above.

Conclusion

Omnicell demonstrates solid market leadership as a top global vendor that excels in delivering a platform of solutions to serve hospitals’ pharmacy automation needs, solving some of the major challenges they face today. Not only does the company provide technology, but it also pairs it with expert services that help hospitals become ‘smart’ and achieve optimal results over the long term.

Omnicell’s customers realize ROI quickly and find great satisfaction with the level of service provided, a result of the company’s commitment to valuing its customers and prioritizing their success. In addition to setting industry benchmarks (first company to provide advanced EHR interoperability that includes remote medication queuing and closed loop reporting) and demonstrating best practices (helping customers secure an accurate roadmap that will improve efficiency, reduce costs, and enhance patient safety), the company’s stellar financial performance and history of significant competitor conversion rates stand testimony to the superior quality of its products and services.

With its strong overall performance, Omnicell is recognized with Frost & Sullivan’s 2017 Company of the Year Award.
Significance of Company of the Year

To win the Company of the Year Award (i.e., to be recognized as a leader not only in your industry, but among your non-industry peers as well) requires a company to demonstrate excellence in growth, innovation, and leadership. This kind of excellence typically translates into superior performance in three key areas: demand generation, brand development, and competitive positioning. These areas serve as the foundation of a company’s future success and prepare it to deliver on the two criteria that define the Company of the Year Award (Visionary Innovation & Performance and Customer Impact).

Understanding Company of the Year

As discussed above, driving demand, brand strength, and competitive differentiation all play a critical role in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on Visionary Innovation & Performance to enhance Customer Impact.
Key Benchmarking Criteria

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated two key factors—Visionary Innovation & Performance and Customer Impact—according to the criteria identified below.

Visionary Innovation & Performance

Criterion 1: Addressing Unmet Needs
Requirement: Implementing a robust process to continuously unearth customers’ unmet or under-served needs, and creating the products or solutions to address them effectively

Criterion 2: Visionary Scenarios through Mega Trends
Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling “first-to-market” growth opportunity solutions

Criterion 3: Implementation of Best Practices
Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

Criterion 4: Blue Ocean Strategy
Requirement: Strategic focus on creating a leadership position in a potentially “uncontested” market space, manifested by stiff barriers to entry for competitors

Criterion 5: Financial Performance
Requirement: Strong overall business performance in terms of revenues, revenue growth, operating margin, and other key financial metrics

Customer Impact

Criterion 1: Price/Performance Value
Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

Criterion 2: Customer Purchase Experience
Requirement: Customers feel they are buying the most optimal solution that addresses both their unique needs and their unique constraints.

Criterion 3: Customer Ownership Experience
Requirement: Customers are proud to own the company’s product or service and have a positive experience throughout the life of the product or service.

Criterion 4: Customer Service Experience
Requirement: Customer service is accessible, fast, stress-free, and of high quality.

Criterion 5: Brand Equity
Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

<table>
<thead>
<tr>
<th>STEP</th>
<th>OBJECTIVE</th>
<th>KEY ACTIVITIES</th>
<th>OUTPUT</th>
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| 1 Monitor, target, and screen | Identify Award recipient candidates from around the globe | • Conduct in-depth industry research  
• Identify emerging sectors  
• Scan multiple geographies | Pipeline of candidates who potentially meet all best-practice criteria |
| 2 Perform 360-degree research | Perform comprehensive, 360-degree research on all candidates in the pipeline | • Interview thought leaders and industry practitioners  
• Assess candidates’ fit with best-practice criteria  
• Rank all candidates | Matrix positioning of all candidates’ performance relative to one another |
| 3 Invite thought leadership in best practices | Perform in-depth examination of all candidates | • Confirm best-practice criteria  
• Examine eligibility of all candidates  
• Identify any information gaps | Detailed profiles of all ranked candidates |
| 4 Initiate research director review | Conduct an unbiased evaluation of all candidate profiles | • Brainstorm ranking options  
• Invite multiple perspectives on candidates’ performance  
• Update candidate profiles | Final prioritization of all eligible candidates and companion best-practice positioning paper |
| 5 Assemble panel of industry experts | Present findings to an expert panel of industry thought leaders | • Share findings  
• Strengthen cases for candidate eligibility  
• Prioritize candidates | Refined list of prioritized Award candidates |
| 6 Conduct global industry review | Build consensus on Award candidates’ eligibility | • Hold global team meeting to review all candidates  
• Pressure-test fit with criteria  
• Confirm inclusion of all eligible candidates | Final list of eligible Award candidates, representing success stories worldwide |
| 7 Perform quality check | Develop official Award consideration materials | • Perform final performance benchmarking activities  
• Write nominations  
• Perform quality review | High-quality, accurate, and creative presentation of nominees’ successes |
| 8 Reconnect with panel of industry experts | Finalize the selection of the best-practice Award recipient | • Review analysis with panel  
• Build consensus  
• Select winner | Decision on which company performs best against all best-practice criteria |
| 9 Communicate recognition | Inform Award recipient of Award recognition | • Present Award to the CEO  
• Inspire the organization for continued success  
• Celebrate the recipient’s performance | Announcement of Award and plan for how recipient can use the Award to enhance the brand |
| 10 Take strategic action | Upon licensing, company able to share Award news with stakeholders and customers | • Coordinate media outreach  
• Design a marketing plan  
• Assess Award’s role in future strategic planning | Widespread awareness of recipient’s Award status among investors, media personnel, and employees |
The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation, and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation, and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.