
SPECIALTY PHARMACY NEWS

Diplomat Continues Its Buying Spree, Now Focusing on Hep C With Burman's Purchase

Diplomat Pharmacy, Inc. continues to boost its specialty pharmacy presence through acquisitions. And while recent deals broadened the company's capabilities in specialty infusion, primarily in intravenous immune globulin (IVIG) and clotting factor, its latest deal — the fourth in a little more than one-and-a-half years — for Burman's Specialty Pharmacy shores up Diplomat's hepatitis C capabilities.

Diplomat said June 19 that it had purchased Burman's for \$82.8 million in cash and stock. According to Diplomat, Burman's, which is located in the greater Philadelphia area, had revenues of about \$383 million in the 12 months ending May 31. The deal is for the specialty pharmacy only and does not include Burman's medical supplies business or its retail pharmacies.

For a more-than-40-year-old company that had never made an acquisition until December 2013, Diplomat is making up for lost time. On April 1 it said it had completed the purchase of BioRx, LLC for \$315 million (*SPN 3/15, p. 1*). The Cincinnati-based company offers services for bleeding disorders, immune globulin therapy, hereditary angioedema, alpha-1 antitrypsin deficiency and nutrition/digestive disorders, according to its website. Prior to that, in June 2014, Diplomat purchased MedPro Rx, Inc. for \$52 million (*SPN 7/14, p. 8*). Headquartered in Raleigh, N.C., MedPro is focused on immunodeficiencies, autoimmune neuromuscular disorders, hematologic disorders and certain rheumatologic conditions treated with intravenous immune globulin, subcutaneous immune globulin and clotting factor. And in December 2013, Diplomat made its first purchase, which was for American Homecare Federation, Inc. (AHF) for \$13.4 million (*SPN 2/14, p. 5*). AHF, which is headquartered in Enfield, Conn., provides clotting factor and infusion supplies to patients nationwide and has a large presence in New England and the Northeast.

According to Phil Hagerman, CEO and chairman of Diplomat, "The specialty pharmacy market continues to grow and change at a rapid pace. This is largely driven by the growing pipeline of specialty pharmaceuticals in development. But it is also driven by increasing demands on specialty pharmacies by insurance companies and drug manufacturers — demands for more clinical resources, unique distribution

models, information technologies, operational innovations and more.

"With the combined resources of Burman's Specialty Pharmacy and Diplomat, we will be a much stronger company going forward. Together, our offering of specialty pharmacy products will allow us to reach more customers while ensuring the highest quality care though (1) combined purchasing power to influence product margins, (2) access and expansion to additional payer provider networks, (3) access to additional service offerings, and (4) expanded pharmacy footprint." In addition, Hagerman explains to *SPN*, the specialty pharmacy "brings strong payer and prescriber relationships in the U.S. mid-Atlantic region."

Key to the deal is Burman's expertise in hepatitis C, which is especially critical at a time when that condition is seeing the launch of multiple new — and rather costly — therapies. The company created a proprietary software platform known as HealthTrac specifically to manage the new hepatitis C drugs, launching the initial version before the FDA approvals of the first two protease inhibitors, Incivek (telaprevir) and Victrelis (boceprevir), in May 2011 (*SPN 5/11, p. 1*). Burman's launched a new version of the system just before Olysio (simeprevir) and Sovaldi (sofosbuvir) launched in late 2013 (*SPN 12/13, p. 1*).

"HealthTrac is a system specifically designed to help navigate the complex treatment process of hepatitis C," explains Hagerman. "This system assists to coordinate care, supervise patient compliance and share treatment updates to the care team."

Firms Are Long-Time Industry Veterans

Interestingly, both Burman's and Diplomat are long-time veterans of the specialty pharmacy space, with Burman's celebrating its 50th birthday and Diplomat 40-plus years. Both are family-oriented companies, with multiple generations of the Burman family and Hagerman family, respectively, playing active roles within the companies. "Like Diplomat, Burman's Specialty Pharmacy was started as a family business with the goal to build a patient-centered specialty pharmacy that focuses on chronic and complex therapies," Hagerman tells *SPN*. "We believe that our strong commitment to patient care and innovative service is the way to grow and prosper in this industry."

Diplomat “has executed yet another accretive, very well-priced acquisition,” maintained CapGainr Chief Analyst Dallas Salazar in a June 22 article on Seeking Alpha. “I continue to be wildly impressed with the company.”

“Specialty pharmacies are in high demand these days,” wrote Bill Sullivan, principal consultant at Specialty Pharmacy Solutions LLC, in a recent client alert. “Investment bankers and venture capitalists are scouring the country to find geese that...can produce golden eggs. They are finding that there aren’t many geese in the gaggle that are attractive enough to plop down a lot of \$\$s and wait four or five years for the goose to produce.”

He maintained that specialty pharmacies may have other reasons to make acquisitions, as seen in Diplomat’s purchase of Burman’s. As Sullivan noted, “This 50+ year old pharmacy has been cultivating its specialty business over the past 15 years. They are located in a key market — eastern Pennsylvania and, in particular, the Philadelphia area....They have grown that business to almost \$400 million annually. In short, they have worked hard to create an attractive profile, one that would catch the eye of a savvy” company like Diplomat.

In the three companies Diplomat purchased before Burman’s, it not only boosted its presence in hemophilia, IVIG and specialty infusion, but also “significantly expanded its geographic footprint with new locations in North Carolina, Massachusetts, Iowa, Minnesota, Arizona and California,” says Sullivan. Burman’s “fills in a lot of new volume in a tight geographic area for” Diplomat.

“The combination of Diplomat, AHF, BioRx, Burman’s Specialty Pharmacy and MedPro Rx furthers our ability to bring our services to a larger national geographic footprint,” Hagerman tells *SPN*. “This coverage of 50 states and 17 locations strengthens our ties with pharmaceutical manufacturers by satisfying their demand for multichannel reach. Together, our increased reach allows us to offer care to more patients nationally, regardless of medical or pharmacy benefit. It also provides a greater number of sales personnel to interface with physicians and payers to review our customized specialty programs.”

Contact Hagerman through Jennifer Cretu at JCretu@diplomat.is and Sullivan at wsullivan@specialtyrxsolutions.com. ✧