

RFID Touted for Drug Distribution

The Healthcare Distribution Management Association recommends that pharmaceutical manufacturers and wholesalers use EPC tags on cases by December 2005.

Nov. 10, 2003—The Healthcare Distribution Management Association, a nonprofit organization for distributors, recommended that manufacturers and wholesalers of pharmaceutical drugs and other healthcare products begin putting RFID tags carrying Electronic Product Codes (EPC) on cases beginning in 2005 and deploy related infrastructure needed to take advantage of those tags.

The recommendation was made in a position paper drafted by HDMA's Collaborative Commerce Committee. The paper was approved by the HDMA's board at its annual meeting, which was held in Marco Island, Fla., last week. The position paper approved by the board also says that "pharmaceutical packagers and manufacturers should incorporate EPC tags at the selling-unit level with a goal for deployment by 2007."

The HDMA has 89 active members—companies that purchase or receive pharmaceutical and health-related products in bulk quantities and distribute them to pharmacies, hospitals and other healthcare retailers and service providers. These distributors, which are based primarily in North and South America, include McKesson Corp. (\$57 billion in annual revenue) and Cardinal Health (\$51 billion). The trade association also has 225 pharmaceutical and healthcare product manufacturers as associate members, including Eli Lilly, Merck and Novartis. The HDMA is not mandating the use of EPC, but its support for the technology will likely encourage adoption in the global healthcare industry.

The industry has been grappling with a growing counterfeit drug problem, which is costing manufacturers millions of dollars and threatening the lives of patients. In addition, the threat of tampered or adulterated products entering the healthcare supply chain is a growing concern, particularly in the aftermath of the Sept. 11 terrorist attacks and anthrax-tainted mail in the United States.

The HDMA believe that EPC technology gives the industry a tool to "track, trace and monitor individual product units using radio frequency identification," which gives the healthcare distribution industry "the opportunity to transform the evolving pharmaceutical supply chain." The paper describes EPC technology as "a prophylactic barrier to help prevent unsafe product from entering the supply chain by establishing a secure electronic pedigree through which every unit of medication can be authenticated."

The paper says that in addition to securing the drug supply chain, EPC technology will streamline distribution processes, improve inventory management and transform critical processes for handling returns and recalls. It goes on to say: "HDMA supports the establishment of a consistent, industry-wide initiative collaborating with all members of the healthcare distribution supply chain to drive the adoption, implementation and utilization of EPC tags. In addition, HDMA fully supports the development of appropriate infrastructures that will uniquely identify and track products and information throughout the healthcare distribution supply chain."

Lisa Clowers, HDMA's VP for supply chain processes and technology, sits on the committee that drafted the position paper. She says the HDMA wants to educate its members and provide them with the tools they need to deploy EPC technology. She says the group's legal council is looking into whether it could forming a buying group to purchase large numbers of EPC tags at a discount.

The HDMA plans to monitor healthcare distribution companies and produce reports on the level of adoption by individual members. That will give the industry as a whole a benchmark to compare their own level of infrastructure development. An HDMA group is already preparing to study how members can get a return on any investment in the technology.

“The industry sees this as the way to move forward,” Clowers says. “The question is timing. When would full industry-wide adoption occur? It could be 10 years.”

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