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Wholesalers upbeat about ban on direct-to-pharmacy supply in Germany
by Nick Smith at GIRP

ATHENS, June 10 (APM) - Wholesalers in Germany are becoming increasingly confident that pharma company schemes under which manufacturers restrict the supply of drugs may be outlawed within weeks.

Reforms to the law in Europe's biggest pharmaceutical market would enshrine the public service function of full-line wholesalers - those who stock all drugs - and force manufacturers to supply them.

The expected changes, which are set to move to the next legislative stage in a week, will also reform how wholesalers are paid, with most of their income coming from a fixed fee for delivering all drugs, rather than a percentage of the drug's cost.

The German proposals, which are expected to become law without substantial changes, have their root in EU law and wholesalers from other countries at the GIRP annual meeting of European full-line wholesalers were upbeat about their attempts to get the EU's thinking properly integrated into local legislation.

The British Association of Pharmaceutical Wholesalers (BAPW) is among those known to be pressing domestically for the EU law to be fully adopted in the UK.

In the UK, some 42% of drugs by value are now subject to restricted supply and success for the wholesalers in the UK as well as Germany could be a major setback for pharma in its attempts to control the drug supply chain more fully.

PHARMA RETAIN CONTROL

However, speaking at GIRP's annual conference in Athens on Tuesday, professor at the University of Applied Sciences Frankfurt, Hilko Meyer said the law also included provisions which compelled pharma only to supply to the level required to meet local demand.

Speaking to APM on the sidelines of the conference, he described this as a "major victory" against parallel importing.

He said this part of the legislation reflected a European Court of Justice case which found GlaxoSmithKline had attempted to stifle European free trade in restricting supplies of medicines in Greece but also confirmed the company had certain rights to protect its commercial interests - broadly by only having to supply wholesalers with a "normal" amount of drugs.

While what level of drugs pharma would be forced to supply may be contentious, it should allow companies to squeeze parallel trade, he continued.

Furthermore, while manufacturers will have a legal obligation to supply certain middlemen, they

will also be allowed to continue to run their own direct-to-pharmacy schemes alongside supplying others, he added.

PRICE OF GENERICS UP

Under existing German law, the price of medicines at several key points is fixed by law and this will remain. However, wholesalers will be remunerated for their part in the delivery chain by a fixed fee per medicine delivered plus a percentage of the drug's cost.

However, Meyer said the second part on the remuneration would be small and the overall effect would be to increase the price of generics and lower that of branded drugs.

Such an approach removes the need for what wholesalers call the "solidarity" system, under which wholesalers receive a percentage of the value of the drug delivered meaning payments received for delivering high-priced drugs compensate for the tiny fees received for delivering generics.

However, Meyer said that part of the existing problems wholesalers have in Germany is that competition between them means they often surrender part of their profit margins to pharmacists to gain business.

It may be that such an approach would be outlawed under the legislative changes, Meyer said. Either way, manufacturers delivering their own drugs would not be allowed to supply at artificially low prices to capture the market.

PRESSURES

Wholesalers are under pressure throughout much of Europe as pharma changes its approach to drug delivery and the market changes in general.

In response to this, delegates heard from IMS Health that they need to be more "aggressive" in pursuing other ways of increasing income. However, while GIRP says many of its members are doing this, others say wholesalers are unwilling to do so, or conditions in their particular market are not favourable for such an approach.

GIRP itself is continuing to pursue the public service function approach and also hoping the European Commission's pharma package will enshrine more fully a distinction between full-line wholesalers and more opportunistic operators in medicine distribution.

GIRP argues that this could be achieved by member-state agencies regulating and inspecting distributors in their markets as well as sunset clauses on licenses to deal in medicine which would mean they needed reactivating if the company had not traded for a protracted period.

However, GIRP's leaders said in a press conference that the package will probably not deliver all they are hoping, not least because regulating hundreds or even thousands of license holders in each market was a huge task for local agencies.

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