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Dutch wholesaler Mediq calls for regulation to protect supply chain
by Helen Collis

LONDON, June 10 (APM) - The head of Dutch wholesaler Mediq is calling for the drug supply chain to be regulated in Holland to safeguard the future for wholesalers.

Marc van Gelder, CEO of Mediq, said Dutch wholesaling accounts for less than 1% of Mediq's total income. "That situation is not sustainable," he said, adding that there is a need for a new formula in the Netherlands.

Speaking Tuesday at the European wholesalers' association (GIRP's) annual general meeting, in Cannes, van Gelder said that a "monopoly" of four insurance companies were pushing down prices with the tender system.

He said only a handful of wholesalers remain in business because the income received from delivering cheap drugs is not enough to cover the costs.

NETHERLANDS SYSTEM

Van Gelder said the total wholesale turnover in the Netherlands is 5 billion euros, 73% of which goes to full-line wholesalers. Four major players - Alliance Boots, Phoenix, Mosadex and Mediq - account for 90% of the market.

He said although 58% of prescriptions in the Netherlands are generic medicines they only account for 15% of total drug income.

In 2006, Holland had maximum prices for its drugs, but in 2006 the system changed - the state owned insurance companies were privatised and lots of small firms were formed. A period of mergers and acquisitions resulted in just four major insurance firms accounting 85% of the market share.

"There are very strong monopolies in the Netherlands," van Gelder said.

Mediq complained to the anti-trust unit in the Netherlands but failed to gain support.

In the Netherlands, insurance companies use a tender pricing system, similar to in Germany. However, the lowest price for a drug in a certain indication is accepted and this price is paid for all drugs in that indication.

"Everything goes to the lowest price ... that is the fundamental problem in the Netherlands," said van Gelder.

After the tender system was introduced, drug prices fell 40% in the Netherlands and have continued to fall. In 2008/09, they fell a further 9.4%.

As an example, he said ulcer treatment Losec (omeprazole) cost 27.50 euros two years ago, and now cost just 12.50 euros per pack.

Van Gelder said that 40% of the volume of drug deliveries is carried out at a loss. "That's plainly not sustainable," he said.

Wholesalers have to stockpile the drugs that win the tenders, which last 6-12 months. Van Gelder said another problem is the extra stock leftover following the expiry of the tender. He told the conference that drugs destroyed each year would almost fill the large conference room.

According to van Gelder, he said there was also a lot of extra work for pharmacists since the tender system was introduced, with an average 67 hours per pharmacy per month spent explaining to customers why their prescriptions had changed brands.

Insurance companies in Holland now want to go further and tender for therapeutic clusters which will affect a whole range of products, he said.

Van Gelder questioned whether it was still feasible for wholesalers to continue providing delivery services, such as the 24-hour emergency supplies and cold storage.

"At the moment we still offer the current services, but if nothing changes, things will change dramatically because we cannot deliver our products at a loss."

REGULATION

Van Gelder said this situation is not sustainable and Mediq is therefore calling for regulation in Holland, similar to that for wholesalers in France.

"We want a public service obligation because we deliver like a public service obligation," he said.

Van Gelder said he envied countries like France and Germany where similar rules apply, because while wholesalers in Holland act as if they have public service obligations, they don't get paid for it.

Van Gelder said Mediq is lobbying for a change in the system in Holland and calling for regulation of the supply chain.

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