

Press Release

Full-line wholesalers' recipe for keeping European healthcare 'in shape' while on an austerity 'diet'

Sofia, Bulgaria, 3rd June 2013 – GIRP, the European Association of Pharmaceutical Full-line Wholesalers released its latest data on its pre-financing contribution towards the healthcare system at GIRPs 54th Annual General Meeting currently underway in Sofia, Bulgaria.

During a session dedicated to the theme of keeping European healthcare 'in shape' while on an austerity 'diet', GIRP's Director General Monika Derecque-Pois presented key data on the amount of medicines pre-financing her associations members contribute towards the functioning of the healthcare system.

Pharmaceutical full-line wholesalers purchase, store and deliver medicines. They purchase medicines from manufacturers, store them in their warehouses and deliver them to pharmacies. Pharmaceutical full-line wholesalers are invoiced by manufacturers before they invoice their customers. Between the time of payment for goods and time of receipt of payment for good delivered, wholesale distributors shoulder a heavy financial responsibility (working capital).

Considering the fact that in Europe around 85% of all medicines used by patients are delivered by pharmaceutical full-line wholesalers via pharmacies, the amount of financing involved is significant and hence pharmaceutical full-line wholesalers carry out a critical pre-financing function towards pharmaceutical manufacturers on the one hand and towards pharmacies on the other. Finally they release the burden of the already cash stripped health care systems.

In collaboration with the Institute of Pharmaeconomic Research (IPF), a scientific research institute based in Vienna, GIRP updated data for the 6 largest European countries (France, Germany, Italy, the Netherlands, Spain & UK), which have been the focus countries of a study carried out by the same institute in 2010. In 2010 for the 6 countries studied, full-line wholesalers pre-financed the supply of medicines to the tune of €10.2 billion over a period of 41 days. In 2012, the numbers have increased to **€10.5 billion and 44 days respectively resulting in a clear increase of 300 € million and 3 days in as little as 2 years.**

As a result pharmaceutical full-line wholesalers

- are the only supply chain operators to assume a pre-financing function towards manufacturers and pharmacies,
- secure the cash flow for payers,
- assume a significant risk in terms of working capital:
 - the time frame within which incoming invoices are paid (pharmaceutical full-line wholesalers to manufacturers),
 - the time frame within which the pharmaceutical wholesalers' stock is pre-financed,
 - the time frame within which outgoing invoices are paid.

Derecque-Pois explained that the real value of this contribution is largely unrecognised and highly under-valued by decision makers responsible for healthcare budget. National healthcare budget decision makers are faced with an almost insurmountable challenge of ensuring a sustainable healthcare system for citizens while at the same time needing to extract costs from the healthcare system. One of the simplest forms of cost cutting is linked to reducing prices and margins of medicines. But simple price cuts and margin reduction strategies have their limits. The current profit margin of the pharmaceutical full-line wholesale business is already in most cases below one percent (and falling). There is a clear danger that with rapidly lowering profitability levels the distribution chain will be pushed beyond its natural breaking point. Therefore, GIRP calls upon our supply chain partner's, payers and decision makers to recognise the important pre-financing function which ensures the right medicines continue to reach the right places at the right time.

Photos from the conference will be uploaded onto the GIRP website <http://www.girp.eu>.

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