

# Celesio Policy Position

## Understanding the Value of Pharmaceutical Distribution

### Annex – Facts and Figures

#### Numbers served

##### EU6 (FR, DE, ES, IT, NL, UK) <sup>1</sup>

- Yearly: 795.6 million transactions from pharmaceutical distributors to pharmacies – from manufacturers this would require 99.4 billion transactions
- Average deliveries per week per pharmacy: typically 16 from pharmaceutical distributors, versus 3.66 from manufacturers

##### EU 26 (EU minus Cyprus and Malta) + Switzerland, Norway, Serbia and Iceland <sup>2</sup>

- 2014: Wholesalers served 183,591 retail pharmacies, hospitals and dispensing doctors
- Wholesalers deliver an average of 62 million medicine packs per day

Country	Manufacturers	Pharmacies	Product lines	Boxes per day
France <sup>3</sup>	260	21,772	30,000	4.2 million
Germany <sup>4</sup>	1500	20,000	100,000	6 million

#### Delivery times

##### Average times

- EU6: Average total delivery time: <sup>5</sup>
  - 4.6 hours from pharmaceutical distributors,
  - 57.86 hours from manufacturers
- France: Average total delivery time = 2hrs 15 mins <sup>6</sup>
- Germany: Average time between receiving order and dispatch = 45 mins <sup>7</sup>

<sup>1</sup> GIRP – Distribution profile and efficiency of the European pharmaceutical full-line wholesaling sector, 2017

<sup>2</sup> GIRP Annual Report 2015-2016

<sup>3</sup> CSRP – La Répartition Pharmaceutique – L’essential 2016

<sup>4</sup> PHAGRO – Fläckendeckende Vollversorgung, June 2016

<sup>5</sup> GIRP – Distribution profile and efficiency of the European pharmaceutical full-line wholesaling sector, 2017

<sup>6</sup> CSRP – La Répartition Pharmaceutique – L’essential 2016

## Pharmacists happy with delivery times, 2016 <sup>8</sup>

- EU6: 94%
- France: 100%
- Italy: 98%
- Germany: 100%

## Payment in arrears

Through delivering goods in advance of payment, pharmaceutical distributors provide important support to pharmacies. In the EU6 in 2014, this amounted to:

- An average of €11.8 billion over 47 days
- An annual total of €92 bn. <sup>9</sup>

## Costs

### EU6 2015 <sup>10</sup>

- Cost per delivery = €9.11 from pharmaceutical distributor; €12.98 from manufacturer
- Additional process costs per pharmacy per year if medicines come directly from manufacturer:
  - If 25% come from manufacturer, €48,206
  - If 50% come from manufacturer, €107,808 per year
  - If 100% come from manufacturer, €203,224 per year

## Public Service Obligation (PSO)

### European countries which impose PSO on wholesalers <sup>11</sup>

Belgium	Czech Republic	Finland	France
Greece	Hungary	Italy	Luxembourg
Latvia	Norway	Poland	Portugal
Romania	Slovenia	Slovakia	Spain

<sup>7</sup> PHAGRO – Fläckendeckende Vollversorgung, June 2016

<sup>8</sup> GIRP – Distribution profile and efficiency of the European pharmaceutical full-line wholesaling sector, 2017

<sup>9</sup> GIRP – Distribution profile and efficiency of the European pharmaceutical full-line wholesaling sector, 2017

<sup>10</sup> GIRP – Distribution profile and efficiency of the European pharmaceutical full-line wholesaling sector, 2017

<sup>11</sup> GIRP – Distribution profile and efficiency of the European pharmaceutical full-line wholesaling sector, 2017; Celesio research

Examples of PSOs <sup>12</sup>

Country	Minimum stock	Delivery times
Belgium	<ul style="list-style-type: none"> <li>At least two-thirds of pharmaceutical specialities, sera and vaccines</li> <li>With the average value of one month's turnover of the past year</li> </ul>	Within 24 hours
France	<ul style="list-style-type: none"> <li>At least 90% of marketed products</li> <li>Two weeks supply for regular customers</li> </ul>	Within 24 hours
Germany	Two weeks supply for average demand	Within an appropriate time period on weekdays
Italy	At least 90 % of all essential Rx products	Within 12 hours
Norway	Full range of products (not further defined)	<ul style="list-style-type: none"> <li>Within 24 hours</li> <li>Within 48 hours for areas with difficult communication</li> <li>Medicines Agency may make exemptions for special circumstances</li> </ul>
Portugal	<ul style="list-style-type: none"> <li>Medicines marketed for over 12 months: average stock level over last 12 months</li> <li>Medicines marketed for under 12 months: average stock level since market entry</li> </ul>	<ul style="list-style-type: none"> <li>Within 12 hours for medicines that are not in the pharmacy but are available to distributors</li> <li>For medicines that are not available to distributors, wholesalers must maintain evidence of efforts to procure them from manufacturers</li> </ul>

## Remuneration

### Decrease in margin in the EU, 2001-2016 <sup>13</sup>

- Wholesale – from 100 to 71

### Breakdown of medicine costs

Country	Wholesaler	Pharmacy	State	Industry
France <sup>14</sup>	3%	21.5%	10%	65.5%
Germany <sup>15</sup>	3.5%	15.3%	16%	65.2%
Italy <sup>16</sup>	3%	30.35%	-	66.65%

<sup>12</sup> GIRP - Overview of public service obligation per country, 2012; Infarmed – Deliberação No. 021/CD/2011

<sup>13</sup> GIRP – Distribution profile and efficiency of the European pharmaceutical full-line wholesaling sector, 2017

<sup>14</sup> CSRP – La Répartition Pharmaceutique – L'essentiel 2016

<sup>15</sup> PHAGRO – Fläckendeckende Vollversorgung, June 2016

<sup>16</sup> ADF – Intermediate Distribution – Trade Margins

<http://www.adfsalute.it/index.php/la-distribuzione-intermedia-3/i-margini-commerciali>

**France** <sup>17</sup>

- 70% of all medicines distributed are generics
- Wholesaler margins fell 17.4 % between 2004 and 2015

**Germany**

- Wholesaler costs make up only 0.5% of the costs of the public sick funds (GVK) <sup>18</sup>

## Good Distribution Practice Guidelines

The EU's Good Distribution Practice (GDP) Guidelines<sup>19</sup> imposes obligations on wholesale medicine distributors, which they must follow under EU law.<sup>20</sup> They cover practices in ten areas:

1. Quality management
2. Personnel
3. Premises and Equipment
4. Documentation
5. Operations (including receipt of medicines and storage)
6. Complaints, returns, suspected falsified medicinal products and medicinal product recalls
7. Outsourced activities
8. Self-inspections
9. Transportation
10. Specific provisions for brokers

The Guidelines are supervised by authorities at national or regional level.

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<sup>17</sup> CSRP – La Répartition Pharmaceutique – L'essentiel 2016

<sup>18</sup> PHAGRO – Fläckendeckende Vollversorgung, June 2016

<sup>19</sup> European Commission Guidelines of 5 November 2013 on Good Distribution Practice of medicinal products for human use

<sup>20</sup> Directive 2001/83/EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to medicinal products for human use