

Annexe A

Medicines distribution – an OFT market study

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1. STAKEHOLDERS CONSULTED AND SUBMISSIONS RECEIVED

Response to Pfizer's announcement

- 1.1. This Annexe examines the number of complaints that the OFT received from the third parties when Pfizer announced, on 28 September 2006, that it intended to introduce a new single-channel 'direct to pharmacy' (DTP) distribution model from 5 March 2007.
- 1.2. Pfizer's announcement prompted widespread concern among the pharmacists, dispensing doctors, competing wholesalers and smaller pharmaceutical suppliers who wrote to the OFT urging it to launch a Competition Act 1998 investigation into the arrangements proposed by Pfizer and UniChem.
- 1.3. The OFT received the first complaint on 2 October 2006 and 482 such complaints were logged with us prior to the launch of the market study on 4 April 2007. OFT also received 48 letters from MPs and SMPs making complaints on behalf of their constituents prior to the study and 6 since the launch of the study.
- 1.4. In addition to complaints from pharmacists, GPs, MPs and SMPs, the OFT received 131 submissions excluding detailed submissions from AAH Pharmaceuticals Limited (AAH), Lloyds Pharmacy Limited (Lloyds), the British Association of Pharmaceutical Wholesalers (BAPW), UniChem and Pfizer.

Table A.1 Complaints concerning Pfizer's DTP scheme

Organisation	Pre-study launch	Post-study launch
Independent pharmacies	482	131
Dispensing doctors	16	3
Supermarket pharmacies	1	2
Regional pharmacies	0	3
Trade associations	1	12
Government / regulators	0	1
MPs and SMPs	48	6

Consultation as part of the OFT's market study

- 1.5. We held numerous discussions with those organisations that had contacted us in order to discuss the issues raised in more depth.

- 1.6. In order to gain an understanding of points of view throughout the industry we consulted trade association organisations representing pharmacies, dispensing doctors, wholesalers and manufacturers. We met with full-line wholesalers and larger manufacturers individually. We also visited the business premises of a wholesaler and several pharmacies. We also consulted both patients' and consumer associations.
- 1.7. We consulted Government and regulatory bodies including the Department of Health; the Department of Health, Social Services and Public Safety, Northern Ireland; the Department of Health and Social Services: Community, Primary Care and Health Services Policy Directorate, Welsh Assembly Government; The Scottish Government and the Medicines and Healthcare Regulatory Authority (MHRA).
- 1.8. In addition, we consulted a number of international bodies, including the European Commission and a number of representatives of individual countries.

Table A.2 Stakeholders consulted

Type of stakeholder	Organisations consulted	
Manufacturers	Astra Zeneca	Novo Nordisk
	Avicenna	Pfizer
	Boehringer Ingelheim	Roche
	Eli Lilly	Sanofi Aventis
	GlaxoSmithKline	Servier
	Maltbys	Teva (Ivax)
	Merck	Wyeth
	Novartis	
Wholesalers and distributors	AAH	Phoenix
	Albapharm	Sangers (Maidstone)
	DHL / Excel	Sangers (Northern Ireland)
	Mawdsley Brooks	Sants
	Munro Wholesale	UniChem
	Paydens	
Retail pharmacies and dispensing doctors	Albapharm	Nucare
	Asda	Paydens

	Cohens	Superdrug
	Dispex	Weldricks
Trade associations	Association of Independent Pharmacy Group	Dispensing Doctors Association
	British Association of Pharmaceutical Wholesalers	Ethical Medicines Industry Group
	British Association of European Pharmaceutical Distribution	Independent Pharmacy Federation
	British Generic Manufacturers' Association	National Pharmacy Association
	Birmingham Hospital Trust	Prescription Pricing Division
	The Company Chemists Association	Royal Pharmaceutical Society of Great Britain
International contacts	Australia	New Zealand
	Canada	Pharmaceutical Group of European Union
	Estonia	Poland
	European Commission	Slovakia
	Finland	USA
	Germany	
Government and regulatory bodies	Community Pharmacy Scotland	Medicines and Healthcare Regulatory Agency
	Department of Health	Pharmaceutical Services Negotiating Committee
	Department for Business Enterprise and Regulatory Reform	The Scottish Government
	Department of Health, Social Services and Public Safety (Northern Ireland)	Welsh Assembly Government
	Information Commission (NHS)	

SITE VISITS CONDUCTED AS PART OF THE STUDY

- 1.9. We visited UniChem's distribution depot in Letchworth to see the sorting and picking operation preparing medicine orders for onward distribution.
- 1.10. We also visited four pharmacies ranging in size in order to get an understanding of their daily routine, in particular, for ordering and dispensing medicines. The key features of these four pharmacy visits are summarised below:

Site visit one: a small independent pharmacy in Bedfordshire

Pharmacy size: small village pharmacy covered under the Essential Small Pharmacy Scheme, building up business after opening of a second nearby doctor's surgery, run by the pharmacist with occasional assistance from a family member. Majority of margin is earned on generic medicines and some parallel imports rather than on branded medicines. The main wholesaler is chosen because it offered the best discount for a small volume pharmacy account – 2-3 per cent more than the national wholesalers' rate.

Stockholding capacity: space for additional stock is limited.

Wholesalers: Mawdsley Brooks; three to four short-liners; UniChem (Pfizer).

Computer ordering system: computer transmitted orders to Mawdsley Brooks; by telephone to other wholesalers.

Cut-off and delivery times: Mawdsley Brooks : 12.30 cut-off; UniChem 11.00 cut-off; both offer twice-a-day delivery. Other wholesalers deliver once a day.

Managing out of stocks: some additional Pfizer medicines now stocked. UniChem's early cut-off times mean that orders that are placed after patients come from surgery miss the cut-off for same day delivery. No advice given from main wholesaler on the level and type of stocks held.

Arrival of deliveries / administration: unpacking during the course of the morning.

Other patient services: pharmacist has links with the two local surgeries and dispenses their patients' prescriptions.

Site visit two: a Superdrug pharmacy in London

Pharmacy size: mid-size with a turnover of around 2,000 prescriptions per month, too small to justify a technician to aid the pharmacist.

Stockholding capacity: limited spare capacity.

Wholesalers: AAH is exclusive supplier; UniChem delivers Pfizer only medicines.

Computer ordering system: set up for ordering from AAH. Separate screen for ordering Pfizer medicines, set up with Pfizer's assistance. Pharmacist needs to remember if a medicine is a Pfizer brand to avoid an 'out of stock' message. The pharmacist has adapted the system to recognise that Pharmacia is a Pfizer brand.

Cut off and delivery times: UniChem/Pfizer – 10am for 16.00 delivery; AAH 13.00 for 16.30 delivery.

Managing out of stocks: AAH provides a list of all manufacturers' shortages. When the pharmacy does not hold a prescribed medicine, the pharmacist will first try the neighbouring Superdrug and if it too does not have the medicine in stock, then the neighbouring Boots. An informal reciprocal agreement exists with nearby pharmacy to help each other out when faced with a patient with a prescription for a medicine not held in stock.

If a patient comes in with a prescription for a medicine subject to a longer-term manufacturer shortage, the pharmacist will advise the patient to go back to the GP for an alternative product (GPs are not informed of manufacturer shortages). This happened during the visit, with a prescription for a generic eye drop medicine.

Arrival of deliveries: UniChem's delivery arrived at 10.15 am and consisted of 10 packs of two medicines and one other item. The AAH delivery arrived at 11.30 and consisted of 9 boxes including a cold store item (which was immediately put in the fridge) and a number of OTC products.

Administration: the UniChem operational pack, aside from duplicating AAH administration, was said to be more onerous, particularly for dealing with errors. The operation of both accounts involved paperwork at branch and Head Office level. The pharmacist observed that the time cost was not substantial.

Checking off, storing and updating the computer for the UniChem delivery took a few minutes and for the AAH delivery, about 15 minutes. The outstanding prescriptions and owings were dispensed ready for collection by patients.

Other patient services

Repeat prescription service; computer capability to accept prescriptions electronically.

Patient consulting room used for Medicine Usage Reviews (MURs) for patients with more than four prescriptions and who had been the pharmacy's patient for more than six months; smoking cessation, weight management and travel advice services.

Site visit three: an independent pharmacy in Greater London

Pharmacy size: larger pharmacy - dispensing 7,000 – 8,000 prescriptions per month.

Wholesalers: AAH main wholesaler, UniChem (Pfizer), four or five short-liners.

Computer ordering system: AAH terminal takes all orders and passes Pfizer orders to UniChem which saves the pharmacist the inconvenience of switching ordering systems. Pharmacist uses his discretion on quantities to order and to take advantage of price opportunities from shortliners.

Cut off and delivery times: AAH: 13.30 for 16.30 delivery; 17.30 for 8.30 delivery. UniChem: 17.00 – 18.00 for next day 11.00 delivery.

Out of stocks: if AAH does not hold a particular medicine, it will try its other warehouses. AAH supplies a list of manufacturer shortages. If long term stock shortage, the pharmacist advises the GP the medicine is not available.

Arrival of deliveries / administration: several crates for AAH delivery, unpacked during the course of the morning. Around 5 minutes to unpack, check and store contents of a crate. UniChem delivery one bag, up to four or five items per day in total. Pharmacist dislikes dealing with two wholesalers and having four cut-off times. He avoids purchasing Pfizer medicines from UniChem by purchasing parallel imports where possible parallel imports.

Other patient services: Pharmacy prescribing; smoking cessation advice; glucose and cholesterol testing; repeat prescription service; delivery of prescription medicines to elderly and inform. Patients consultation room and needle exchange programme are also available.

Wholesaler support: staff training, providing IT system, health testing machines.

Site visit four: Boots Pharmacy in a town in the Home Counties

Pharmacy size: dispensing around 12,000 prescriptions per month, in the top 400 of Boots 15,000 stores.

Wholesalers: D80 (Boots' self supply operation) and UniChem as second line.

Computer ordering system: Computer system distinguishes between the two systems and places the order accordingly. Prior to cut-off time, pharmacy staff input paper reminders of orders into the system. Ad hoc orders are also placed during the day.

Cut off and delivery times: D80 delivers at around 6.00; UniChem cut-off times at around 11.30 and 17.00 with am delivery at around 9.15 and pm at around 15.00.

Out of stocks: If the patient does not wish to wait for delivery of an out-of-stock medicine, the pharmacist will first try to obtain it from the neighbouring Superdrug, then from other neighbouring pharmacies then try the manufacturer. As a last resort, he may call the GP suggesting the prescription is changed. UniChem supplies a list of manufacturer stock shortages.

Arrival of deliveries and administration: D80 – typically 8 boxes in total. UniChem 3 boxes which take 20 minutes to unpack, followed by computer verification, updates and dealing with credit notes. Individual invoices from GSK and Pfizer add only 20 extra seconds to check and process.

Other patient services: Patient consulting room : emergency contraception, MURs, smoking cessation and weight management advice.

Arrangement with four doctors' surgeries to manage dispensing of 6 months' patient repeat prescriptions service, which includes checks and advice at regular intervals.

Manufacturer contact: Very rare, occasional medicine information left by a representative from a company. GSK had provided some training on asthma treatment. Pharmacists can if needed obtain information from manufacturer help lines.