



European Study Supports the Value of Full-line Wholesalers

(Source: GIRP press release)

GIRP, the European Healthcare Distribution Association, which represents pharmaceutical full-line wholesalers, published the results and key findings of a study on the distribution profile and efficiency of the pharmaceutical full-line wholesale sector in Europe with a special analysis of six European countries: France, Germany, Italy, the Netherlands, Spain and United Kingdom.

The study was carried out by the Institute for Pharmacoeconomic Research (IPF), a scientific research institute based in Vienna, Austria. The aim of the study was to analyze the role and functions of the pharmaceutical full-line wholesalers, as the main providers of medicines in comparison to other distribution systems. The study assesses the actual and perceived value of the role and function of pharmaceutical full-line wholesalers.

The following are key data-points from the study: 1) 752 pharmaceutical full-line wholesalers ensured the fast, continuous and cost-effective medicines supply to over 180,743 retail pharmacies, hospitals and dispensing doctors in the EU plus 2 European countries not in the EU; 2) Pharmaceutical full-line wholesalers' services can reach up to 520 million people; 3) Through direct and indirect cost control measures there has seen an average reduction of 29.3% in the wholesaler mark-up since 2001; 4) Around 800 million transactions between pharmaceutical full-line wholesalers, pharmacies and manufacturers take place every year in the 6 key European markets; 5) Without pharmaceutical full-line wholesalers, the number of transactions would increase to almost 10 billion transactions per year [assuming a replacement channel system, involving direct distribution]; 6) Pharmaceutical full-line wholesalers store and distribute over 75% of all medicinal products sold in Europe; 7) In Europe, non-adherence to medicines and medication plans costs governments an estimated €125 billion (US\$134.4 billion) and contributes to the premature deaths of nearly 200,000 Europeans a year (EFPIA).

Delivery function: (a) Pharmaceutical full-line wholesalers ensure an average delivery service within 4.6 hours and deliver 16.02 times per week to pharmacies (including remote areas). (b) By comparison short-liners deliver their products within 20.05 hours and only 4.34 times per week and direct deliveries from manufacturers needed on average of 57.86 hours, with a frequency of only 3.66 times per week.

Bundling function: (a) Pharmaceutical full-line wholesalers are 'pooling' the medicines of 18.8 manufacturers per delivery on a weighted average. (b) The bundling of 18.8 deliveries from manufacturers in one delivery from a wholesaler saves €234.84 (US\$252.58) for customers (pharmacies).

Financing function: (a) Pharmaceutical full-line wholesalers assume a financing function towards manufacturers and pharmacies. (b) Pharmaceutical full-line wholesalers essentially secure the cash

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In Brief..

♦ In an effort to improve corporate value, **Toho Holdings Co., Ltd.** has appointed **Norio Hamada** to the position of Chairman of the Board, Representative Director and CEO at its March 14th board meeting. **Hiroyuki Kono** will assume the position of Vice Chairman and Representative Director, and **Katsuya Kato** will take on the position of President and Director, Chief Operating Officer. The new appointments will take effect on May 1, 2017.

♦ Despite the activity occurring outside of the primary drug supply chain and **JPWA** members, the Japanese Wholesale industry will be reviewing GDP and returned goods practices in response to the recent counterfeit **Harvoni** discovery, according to JPWA chairman **Ken Suzuki**. Mr. Suzuki expressed frustration that the discovery of counterfeit **Harvoni** in Japan's supply chain marred JPWA's commitment to the safety of drug distributions in Japan, which was given last year at IFPW's General Membership meeting in London. Although the most recent problem was caused by "genkin donya" (cash-and-carry) wholesale dealers not affiliated with JPWA, JPWA is committed to strengthening its position towards the "return issue" to ensure integrity of the pharmaceutical supply chain.

♦ Brazilian wholesaler and retailer **Profarma** announced strong growth, with EBITDA of R\$144.6 million (US\$46.1 million), marking a 26.1% increase year over year. Profarma's distribution sales increased by 12.4% while specialties grew by 26.2%. Sales in its retail operations (excluding its newly

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Facts about U.S. Pharmaceutical Distributors and the Opioid Crisis

(Source: A Factsheet published by the Healthcare Distribution Alliance)

The following are edited excerpts from Healthcare Distribution Alliance's (HAD) factsheet:

In the opening paragraph of the factsheet, HDA states, "As America continues to face a serious problem with opioid addiction, our elected officials, the media and the public continue to discuss and debate the cause and possible solutions to this problem. Unfortunately, these conversations often include a narrow, distorted view of the prescription drug supply chain and, in many cases, overstate pharmaceutical wholesale distributors' role in this serious public health issue. Many stakeholders in the supply chain — including physicians, pharmacists, manufacturers, distributors, federal and state regulators, law enforcement, and others — share responsibility for opioid abuse and misuse in our country. It is important to understand the role each stakeholder plays as we work to end the current opioid epidemic."

The facts cited by HDA are: 1) Distributors DO NOT manufacture opioids, license registrants, write prescriptions or

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Value of Wholesalers (cont.)...

flow of the social insurers. (c) Pharmaceutical full-line wholesalers finance on average €11.8 billion (US\$12.7 billion) over a period of 47 days. (d) Compared to the findings of the previous study (2011), financing volume increased in all six selected countries by €2.3 billion (US\$2.47 billion) and the financing period increased by 5 days from 2011 to 2015.

The full study is available for download from the GIRP website at the following link (http://www.girp.eu/sites/default/files/documents/the_role_of_pharmaceutical_full-line_wholesaler_081015.pdf).

A slide deck, highlighting the core key-findings and key data of the study, is also available following this link.

U.S. Opioid Crisis (cont.)...

dispense medicines; 2) Distributors CANNOT make medical determinations regarding patient care or provider prescribing; 3) The DEA [U.S. Drug Enforcement Administration] sets annual production quotas for opioids. This regulatory oversight REQUIRES the agency to take an active role in determining the available supply of opioids in the U.S.; 4) The DEA not only regulates the overall supply of opioids in the country but is the ONLY entity that knows how much medicine is shipped in total to a given-pharmacy or physician customer; 5) Wholesalers report to the DEA controlled substance orders that are filled and those that are deemed suspicious, and have ROBUST controls in place to monitor distribution; 6) The DEA's failure to communicate with the supply chain had a CHILLING effect on monitoring and enforcement and did little to curb diversion; 7) Recognizing the need for robust information sharing, Congress passed bipartisan legislation that represented a change in COMMUNICATION and enforcement across all parties; 8) Distributors are strongly COMMITTED to finding systemic solutions to the challenges that contributed to the opioid epidemic. Distributors are strongly committed to addressing the barriers and challenges that contributed to the opioid epidemic

“At the height of the opioid epidemic,” states HDA in the Factsheet, “lack of communication and collaboration between the DEA and distributors made targeted, rapid response against opioid abuse and diversion a challenge. During this time, the DEA refused to respond to legitimate compliance questions from distributors around patient safety monitoring and enforcement. There was no guidance or rulemaking from the agency, and the DEA refused to meet with the industry to clarify its roles and responsibilities.”

“The GAO [U.S. Government Accountability Office] in a June 2015 report concluded that ‘DEA communication with and guidance for its registrants are essential to help ensure that registrants take actions that prevent abuse and diversion but do not unnecessarily diminish patients’ access to controlled substances for legitimate use because of their uncertainty about how to appropriately meet their CSA [Compliance, Safety, Accountability] roles and responsibilities.’”

The Acting Administrator of the Drug Enforcement Administration (DEA)... “testified before the U.S. Senate, stating, ‘In many ways, I think we’re broken... I think we’ve been slow. I think we’ve been opaque. I think we haven’t responded to them [those we regulate].’” “Further, the DEA special agent in charge of the Washington, D.C., field office, which covers Virginia,

Maryland, the District of Columbia and West Virginia, recently said of the DEA’s response to the opioid crisis in West Virginia, ‘We had no leadership in West Virginia. We had none.’”

A conclusion that could be drawn from HDA’s Factsheet is that the opioid crisis in the U.S. resulted, at least in part, from a failed, unified, national leadership role; a role that only the U.S. Drug Enforcement Agency could fulfill, using effective communications. To download a HDA’s factsheet in its entirety, please visit <https://www.healthcaredistribution.org/~media/pdfs/communications/opioid-fact-check.ashx>.

In Brief (cont.)...

acquired Rosario drugstore chain) rose by 7%.

- ◆ **Sinopharm Group Co., Ltd.’s** Board of Directors announced that *Mr. Li Zhiming* will be replacing *Mr. Wei Yulin* as Chairman of the Board. Mr. Li joined Sinopharm in 2010 as Vice President and has served in the roles of Vice President, Executive Director, Chairman and Secretary of the Party Committee. Mr. Wei, an IFPW Board member since 2011, announced his retirement on March 24, 2017. IFPW extends its sincere appreciation of Mr. Wei’s unwavering long-standing support and participation as an IFPW Board member.

- ◆ **Amgen** has won the approval of its biosimilar version of **AbbVie’s Humira, Amgevita** (biosimilar *adalimumab*), from the European Commission. This includes marketing authorization for “all available indications”, including moderate-to-severe rheumatoid arthritis, psoriatic arthritis, and moderate-to-severe Crohn’s disease. (*IFPW is pleased to announce that Amgen’s Executive Vice President of Global Commercial Operations, Tony Hooper, will be speaking at this year’s IFPW CEO Roundtable.*)

- ◆ With the maturing of the baby boomer generation, there is a significant uptick in the top five over-the-counter categories, including cough-cold and allergy, vitamins, weight loss and nutrition, and pain relief and digestives. All total, they account for 68.9% of OTC sales. Sales of OTC medicines and natural supplements reached US\$45.8 billion in 2016, which broke previous one year sales records. According to a study conducted by the **Consumer Healthcare Products Association**, OTCs save consumers and the healthcare system US\$102 billion each year.

- ◆ **Sigma Corporation** announced 2016/2017 full year financial results, with revenue up 26.2% at US\$4.4 billion. EBIT was up 12.4% to US\$100.2 million, showing strong financial performance. Sigma CEO and Managing Director, *Mark Hooper* stated “The results are very pleasing, particularly as they are being delivered from the consistent execution of our strategy.” Sigma’s FY2018 outlook remains on track.

- ◆ Due to comprehensive medical care reform, patients of Beijing’s hospitals and medical institutions will be spending less money on drugs. Price markups (usually at a rate of 15%) will be abolished beginning April 8th, according to the **Beijing Municipal Commission of Health and Family Planning**. This reform covers more than 3,600 medical institutions in Beijing.

(Sources: China Daily, company press releases, Drug Store News, Pharma Japan, and Pharma Times)