



British Association of
Pharmaceutical Wholesalers

Proposals for the reimbursement of 'standard' branded generic medicines Part 2

A submission by the British Association of Pharmaceutical Wholesalers

Background

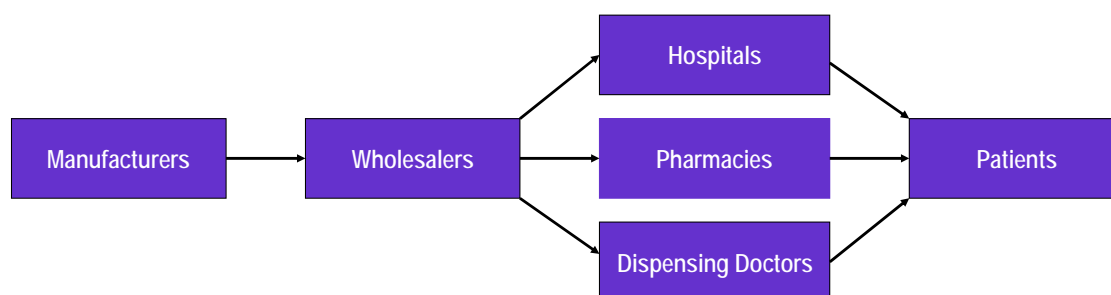
As part of the renegotiated Pharmaceutical Price Regulation Scheme, it was agreed that, subject to public consultation, 'standard' branded generics will no longer be covered by the agreement. Under the new proposals, the prices of these medicines would be covered by the new arrangements for the reimbursement of generic medicines. This second consultation seeks further views on a set of more detailed proposals concerning oral solid dose medicines.

A 'standard' branded generic is defined as an out of patent product to which the manufacturer/supplier, who is not the originator company, has applied a brand name and that is comparable to a true generic that is readily available (i.e. currently listed as Category A in Part VIII of the Drug Tariff). Other branded generics such as modified release preparations will remain within the PPRS scheme.

The BAPW

The British Association of Pharmaceutical Wholesaler (BAPW) represents the UK's full-line pharmaceutical wholesalers. Wholesalers are an essential link in the medicines supply chain. They act as a one stop shop for almost all pharmaceutical products and services, playing a key role in the cost effective and safe distribution of a diverse and comprehensive range of healthcare products.

They deliver to the front line of health services - pharmacists, doctors, hospitals, sometimes even to individual patients - across the whole country. In some countries, elements of full-line pharmaceutical wholesaling are viewed as a public service and receive state subsidies, although in the UK this is not the case. Wholesalers buy most of the medicines they supply direct from manufacturers to meet the demands of the customer - the NHS. In essence, the industry carries all the risk and investment involved in distribution of medicines with no specific investment or subsidy from, or cost to, the NHS.



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As an industry, pharmaceutical wholesale:

- Employs almost 9 000 staff;
- Makes more than 235 000 deliveries **per week**;
- Carries and supplies around 20 000 essential drugs, medicines and services;
- Delivers over 85% by value of the medicines dispensed in pharmacies, as well as around half of the medicines used in secondary care;
- Picks and delivers more than 2 billion items per year, with a combined value of over €15 billion;
- Achieves service levels touching 99%;
- Operates over 50 depots nationwide;
- Provides 50% of the computer equipment used by pharmacies;
- Provides a round the clock, on demand service to pharmacies and hospitals, 365 days a year;
- Offers very short lead times on orders and deliveries - typically less than half a day.

Some wholesalers take advantage of the fact that there are bigger margins to be made on certain products and concentrate wholly on them - these are known as short-liners. However, the British Association of Pharmaceutical Wholesalers represents only full-line wholesalers, who offer the entire range of licensed medicines needed by patients, not merely the most profitable ones

Branded generics

The BAPW is pleased that the Department of Health has chosen to broadly accept the proposals supported by the majority of organisations which responded to its initial consultation on the removal of branded generics from the PPRS. As we made clear in our submission to the Department's first consultation, the BAPW unequivocally supports the removal of branded generics from the PPRS. Their retention within the PPRS is clearly anomalous and leads to market distortion. The BAPW is also pleased to be given an opportunity to respond to this second round of consultation on the issue, which seeks to establish views on the more detailed proposals set out by the Department.

Whilst supportive of the view taken by the Department of Health on branded generics, the BAPW is concerned that the details of any new scheme adopted by the Department do not create unanticipated, unintended or unnecessary incentives to GPs and PCTs to prescribe branded generics over non-branded generic medicines. We believe that over-prescription of branded generic medicines would not be in the interests of the Department, wholesalers, pharmacists or patients.

Our primary concern is that, in the long run, the prescription of branded medicines will not save the NHS money where the prescription is taking the place of a genuinely generic product. As the Department is aware, the market for generic medicines is highly competitive and the consequences of any action to introduce branded generics into the generics pricing system must be carefully considered. The BAPW believes that the current pricing proposals have the potential to give branded generic producers an unfair advantage over true generic producers which could, in the long term, be to the detriment of a fully functioning commodity market for generic medicines. The obvious implication of this is that in a less competitive market, prices would probably be driven up.

A second consequence of a less competitive market, where one or two branded generic manufacturers dominate the market for a particular product, is that other manufacturers may be forced out of production. This can lead to product shortages, difficulties in sourcing medicines and, by extension, delays in getting

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medicines to patients. Compare this to a healthy, competitive generics market, where any manufacturer can step in to make up any shortages and where patients are rarely, if ever, forced to wait for their medicines.

As well as the obvious consequences wider branded generic prescribing could have on patient safety and on prices (and therefore NHS budgets), there are clear implications for wholesalers involved in their supply. Many wholesalers already stock a variety of generics – they may, for instance, stock five different types of a particular medicine – in order to fulfil their customers' exact orders. However, a proliferation of branded generics caused by their wider prescription would place huge and ultimately impossible demands on wholesalers. Either a wholesaler would be forced to stock the same medicine manufactured by perhaps 20 companies in order to meet branded generic prescriptions – which would be untenable for all generic medicines. Or wholesalers would be forced to classify requests for branded generics that they did not stock as 'special obtains'. This category of medicine can incur significant extra costs which are passed on to the pharmacy contractor and then reclaimed as out of pocket expenses from the Prescription Pricing Authority – so that the Department of Health, and taxpayers, ends up footing the bill.

Conclusion

Although we are concerned that any new scheme avoids incentives to over-prescribe branded generics, the BAPW is wholly supportive of the Department's proposals to remove branded generic medicines from the PPRS.