

Monthly service for Wholesalers

# Wholesale Bulletin



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## Special points of interest:

This bulletin is free to interested wholesaler employees

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## CALL TO SET LIMITS ON CATEGORY M REIMBURSEMENT PRICES

Minimum and maximum reimbursement should be applied to generics medicines and communication on their price scheme must be improved, an expert has told the government.

Sigma Pharmaceuticals managing director Bharat Shah expressed several "major concerns" about category M in need of "urgent review" by the Department of Health, as part of a mid-term review of the generics reimbursement price scheme requested by manufacturers.

These worries included that a month's supply of life-saving drugs were being reimbursed "below the price of a bar of chocolate", that 20 per cent of category M products were be-

ing reimbursed at a higher price than the equivalent brands, and that the reimbursement for some entries was higher than the price of equivalent OTC packs.

"We therefore recommend a floor and a ceiling be made applicable to all category M products," Mr Shah said, in a letter to the DH, suggesting a minimum of 50p "to reflect the professional input".

He added: "The communication by the DH on category M appears to be inadequate. If this communication process is improved, then we feel that many of the anxieties and doubts by independent pharmacies will be cleared and the DH will have much more

co-operation by the retail pharmacy/distribution sector."

He suggested a quarterly meeting prior to tariff changes to help.



## AlbaPharm agrees link with UniChem

AlbaPharm has agreed a first line wholesaler partnership deal with UniChem, and will split into two companies: AlbaPharm AAH and AlbaPharm UniChem. The companies will cater for both existing and new members, who will have the option of joining either company.

The news comes just weeks after C+D reported that several buying groups were stepping up efforts to boost membership, following the announcement of the merger between Numark and Nucare last year.

David Currie, chief executive of AlbaPharm, said the deal with UniChem could boost membership by up to 100 within a year.

He said: "Our link-up with UniChem strengthens our position as the industry voice for the independents."

## Wholesale worries as Phoenix buys Munro

Concern for the UK wholesale market has been expressed after the Munro Group sold its mainline wholesale arm to Phoenix.

Changes to the supply chain imposed by manufacturers were blamed for Munro Wholesale's "repositioning" as a short line wholesaler, to operate as Strathclyde Pharmaceuticals.

Munro Group MD, John Cochrane, said: "The fundamentals of the industry were moving against the independent operators and regional wholesalers."

Dispensing Doctors' Association CEO David Baker said the sale was "another nail in the coffin for regional wholesale". Martin Sawyer, executive director of the British Association of Pharmaceutical Wholesalers, said it was another example of wholesalers having to adapt to market changes, following the alliance between regional companies Mawdsley's, Norchem and Maltby's.

Someone needed to decide how far such changes to the market could reasonably be allowed to proceed, Mr Sawyer added.

PSNC head of information services Lindsay McClure said: "It is essential for pharmacies to have a choice of supplier, as this drives competition, both on price and service quality, which benefits the NHS."

Phoenix took control of Munro Wholesale's three depots in Glasgow, Aberdeen and Belfast on April 1. The sale followed Lloyds pharmacy's purchase of the Munro Group's 29 pharmacies at the end of last month.

Phoenix CEO Paul Smith said: "The directors of the Munro Group recognise that the trend for direct-to-pharmacy supply will undermine their mainline business... the deal will safeguard jobs and ensure that Munro customers will see no interruption in service."

**Pharmacy to rescue rural post offices** Pharmacies should double up as post offices to help save rural branches in Northern Ireland, the Pharmaceutical Society of Northern Ireland (PSNI) has said.

Co-location could save many of the 42 local post offices set for closure under Post Office Ltd plans.

Many of the branches due for closure are located less than half a mile from a community pharmacy, PSNI said.

PSNI spokesperson Mark Neale said: "A post office co-locating with a nearby pharmacy is a proven solution to save services in village, suburban and deprived communities across Northern Ireland."

The PSNI called on the Post Office Ltd to explore the idea before deciding on the closures.

A consultation on Post Office Ltd's changes to the postal network closed this week.



## Category M 'could spell death of independents'

Category M could lead to the demise of independent pharmacy within a decade, support groups have warned the government.

The "highly volatile" clawback of generic purchase profits has led to many independent contractors selling to the multiples due to "significant cashflow issues", the Association of Independent Pharmacy Groups (AIPG) said in a letter sent to the Department of Health this week.

"If this trend continues, then within 10 years the sector will comprise almost entirely of five to eight large multiple operators," said the association, which consists of buying groups including Avicenna, Cambrian Alliance, PharmaPlus and CamRx.

Such a consolidated market would lose the advantages of the "entrepreneurship inherent in independents" which leads to innovation and competition, the AIPG warned. Independents had also been "largely responsible" for driving drugs prices and operating cost down, it added.

The group also questioned the "arbitrary increase in prices of some products (generally the monopoly and duopoly products) such as gabapentin, phenytoin and hydrocortisone".

The letter also voiced concerns that "inherent inflexibility" in category M meant it could not promptly address market shortages.

These were likely as a result of the generics tariff, the AIPG argued, because: the low prices of some products could lead to manufacturers ceasing production; the perception that monopoly/duopoly products would increase in value could encourage stockpiling; and dispensing at a loss could lead to contractors de-stocking products affected by this "wholly unacceptable and untenable position".