Are Parallel Imports set to increase?

Reduced wholesale and manufacturer discounts have had a significant impact on practice income. In an attempt to reduce purchase costs and reverse losses, practices may consider importing. But is it ethical? And, are there still enough branded products available to make it profitable?

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There is a view that a rate of €1.30 is the tipping point for exports to turn into imports. In an article published in Today's Pharmacist in January 2015, shortliner company Waymade plc reports a 50 per cent growth in overall imports into the UK, including huge products like Mirapexin, Lyrica, Spiriva, Seretide, and even branded generics, refrigerated products using dedicated cool transport, and controlled drugs. Waymade reports that in its own business there have been "redoubled efforts and concentration on parallel imports from Europe". It adds: "This certainly indicates that parallel imports are very much back and available. We are pushing ahead and increasing our active licences to over 1,000 products."

DDA/Wavedata purchase analysis (also see page two) demonstrates heightened awareness of PIs in UK dispensaries, and in January analysis, Wavedata reports that for the first time in over a year, dispensing doctors were getting better deals for parallel imports. From March, 2015 until June 2016, the European Central Bank (ECB) will be running a programme of quantitative easing (QE), totalling some €1.1 trillion ($1.24 trillion). Whether this will see a further devaluation in the Euro depends on how effectively the markets have already factored in QE.

The consequences of parallel trade

Parallel trading takes place within the European Market and thanks to the Treaty of Rome, the movement of medicines across Europe is an entirely legal process. But it is not without its consequences. Speaking to the Guardian newspaper in 2008, big Pharma argued that parallel trade took £1.2bn from their revenues, describing this as "money that goes to a middle man instead of being put to constructive use", such as research and development.

It is also possible that this potential for loss of margin could affect where manufacturers choose to launch high cost products, resulting in selective availability to patients of innovative drugs.

Pfizer has been reported as also connecting the parallel trade to counterfeits. In 2008, the Office of Fair Trading in its market study on medicines distribution in the UK recognised that new models of distribution offered suppliers the potential not just to reduce counterfeiting but also to "control brand image, and to manage the supply chain and product safety more effectively". As a result, to this day Pfizer products such as Pregabalin remain very difficult to obtain as a PI.

Since the introduction of the Direct to Pharmacy distribution model, practices have seen a huge reduction in the range and size of wholesale and manufacturers' discounts; paradoxically, with no change in the dispensing practice clawback rate, falling discounts mean that more products are dispensed at a loss – which makes PI more attractive, especially now that the Euro is devaluing.

Parallel trade also has the potential to create an imbalance between supply and demand. When UK shortages were making the headlines, manufacturers adamantly maintained that they were providing enough stock to meet 110-120% of UK demand. They blamed exports for the ongoing domestic market supply shortages. The DDA has joined the UK pharmacy representatives in taking a firm stance against exports that create UK shortages. The evidence suggests that dispensing practices have heeded this advice.

Putting financial gain ahead of patient benefit is considered unethical by both professions. Key ethical questions to consider with parallel trade are: When stock is imported, do imports always stop when patient demand is met, or does a surplus occur? And, does a surplus in one country mean a shortage in another?

Patients' perspective

As practices will know from their own experiences, patients can become anxious when their dispensing doctor or pharmacy has difficulty obtaining stock.

Non-English packaging can also cause confusion and overlabelling can make it harder to open foil packaging. Inconsistent drug shapes and colours can also make patients think that they have the wrong medication.

DDA Board members offer the following views on their use of PIs:

Dr Philip Koopowitz: "Our practice does not actively seek out PIs, but when availabilit of UK-sourced products becomes scarce, w do look at them."

Mark Stone, a new board member and dispensing practice pharmacist: "We are no purchasing PIs at the moment. However, we await events."

Current and future usage

Dr Wayne Turner of Dispensing Doctor Solutions Ltd believes that PIs are certainly on the increase, and his advice is that practices use PIs as an alternative to high cost, low or no discount drugs, and ethical branded lines which are likely to be loss-making after clawback.

• Conclusion •

Parallel Importing is legal, but there are ethical concerns. Some patients may find them confusing.

The Government has not addressed clawback, while discounts have fallen; this means that more products are dispensed at a loss.

Dispensing doctors and pharmacies will see more companies selling an increased portfolio of PI products. If purchased well, significant reductions in purchase prices are possible.

For the full version of this feature, please visit the DDA website:
http://www.dispensingdoctor.org/news/parallel-imports-set-increase/