

A view on the pros and cons

By Dr Allan Tennant, vice-chairman of the Dispensing Doctors' Association
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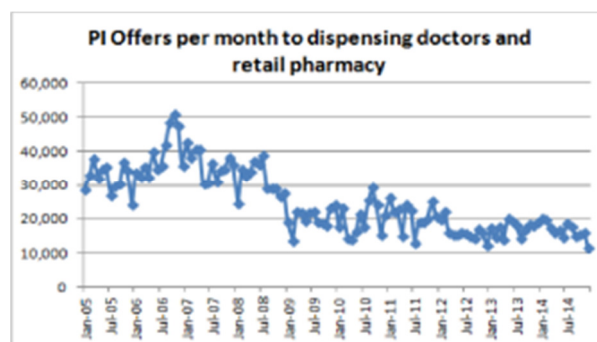
Parallel importing may be set to play a bigger role in the UK pharmaceutical market in 2015. But is it ethical? And, are there still enough branded products available to make it profitable?

Reduced wholesale and manufacturer discounts have had a significant impact of practice income. In an attempt to reduce purchase costs and reverse losses, practices may consider importing.

The impact of Euro devaluation

In April 2014 the Sterling: Euro exchange rate stood at Euro €1.19. Extended strengthening of the Pound has led to a rate as of February 1, 2015 of €1.32.5. This represents a rise in the value of the Pound of 11.5% against the Euro.

Data provided by [Wavedata](#) provides the following graph tracking the number of PI offers per month, over a period of time that has seen both the devaluation of the Pound against the Euro, and the introduction of DTP and RWM in the supply chain.



This shows that over almost 10 years there is a step down reduction in two phases from 30,000-40,000 offers of product a month, to the July 2014 low of 11,500. The presumption is that fewer offers in the market also equates to less product in the marketplace.

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. 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.”

The DDA/Wavedata purchase analysis also demonstrates heightened awareness of PIs in UK dispensaries, and in the new, [January analysis](#). Wavedata reports that, for the first time in over a year, dispensing doctors are 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 much the markets have already factored in QE.

Drawbacks and 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, many suppliers have followed suit, either adopting the DTP model, or reducing the number of wholesale distribution agreements in place. The current state of play can be found on our [DTP/RWM page](#). Hand in hand with the growth in the number of such agreements, practices have seen a huge reduction in range and size of wholesale and manufacturer's 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, now that the Euro is devaluing.

With this in mind, the DDA is keen to negotiate a fairer system of reimbursement, which eliminates perverse incentives and which is good for patients, the NHS and for practices. DDA chairman Dr Richard West says: “We are talking with NHS England how we can make the system fairer.”

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 availability of UK-sourced products becomes scarce, we do look at them.”

Mark Stone, a new board member and dispensing practice pharmacist: “We are not 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.

He says: “Adalat, Augmentin, Actos, BD microfine needles, Celebrex, Duogesic and Flixotide currently have good levels of discount. In our audits Pregabalin always comes at the top of our loss making drugs - but it is very difficult to obtain as a PI in the UK. However, this is due to come off patent soon.” He added that “Obtaining Pfizer PI is generally difficult.”

According to Wavedata, Lyrica Caps 75mgx56 is the line most commonly offered in the UK as a PI. The top 20 lines offered as a PI in 2014 (listed in descending order). A comprehensive full list can be downloaded [here](#).

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Dispensing doctors and retail chemists are included in
the data.
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This report shows the number of offers for parallel
imports Wavedata has collected during 2014 (Jan -
Dec)
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Lyrica Caps 75mg 56
Viscotears Liquid Gel 0.2% 10g
Adalat LA Tabs 30mg 28
Adalat LA Tabs 60mg 28
Seretide Accuhaler 250mcg 1 (60 Doses)
Abilify Tabs 15mg 28
Freestyle Optium Test Strips 50
One Touch Ultra Test Strips 50
Crestor Tabs 10mg 28
Creon Caps 10000 100
Avodart Caps 0.5mg 30
Voltarol Emulgel 1.16% 100g
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Ganfort Eye Drops 0.3mg/ml + 5mg/ml 3ml
Mezavant XL Tabs 1200mg 60
Lyrica Caps 25mg 56
Januvia Tabs 100mg 28
Omacor Caps 1g 28
Januvia Tabs 50mg 28
Januvia Tabs 25mg 28
Bezalip Mono Tabs 400mg 30

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.

This article can be found in the [Dispensary Management Zone](#) of the Dispensing Doctors' Association website.

A free trial subscription to the DDA's website is now available by contacting the DDA office, via the DDA website.