

GUEST EDITORIAL

Co-op pharmacists under pressure

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New Zealand pharmaceutical wholesalers will come under pressure at the end of 2008 when Pharmac delists some high value, high volume, R&D drugs worth over \$100 million annually at wholesaler level and substitutes cheap generics purchased out of Asia for them.



Pharmac is the Government's drug buying agency and their move towards generic substitution along with sole supply tendering has significantly dropped the cost of pharmaceuticals into this country over the last few years.

Pharmac currently also operates a rebate scheme with some suppliers where they purchase drugs at international prices, but then some of it is rebated back to Pharmac to provide a cheaper net price.

The argument on whether New Zealand is becoming a third world country when it comes to pharmaceuticals has fallen on deaf ears and nei-



ther major political party seem interested in changing the current formula. Generics are only able to be manufactured once a patent has come off, and that can be up to 20 years after the drug is created.

Next January's substitution of cheap generics for the high use Losec and Lipex drugs will mean that wholesalers will need to carry the same costs of distribution but the margin they will receive on the lower priced items will be considerably less.

We cannot easily transfer this increased cost on to our member pharmacists as they can't, under their present contracts with their DHBs, on charge to the public.

Pharmacy Wholesalers (Central) Ltd is a coop-

erative pharmaceutical wholesaler supplying community pharmacies and hospitals throughout the central regions of the North Island of New Zealand. The cooperative has branches in New Plymouth, Wanganui and Hastings.

In 1978, when the co-op was formed, there was a regulated wholesalers' margin of 20% included in the reimbursement paid to pharmacists on the cost of their drugs by the Ministry of Health. Many cooperatives started up around that time and quickly gained efficiencies through the use of computer technology. Before long, they had the major share of the New Zealand pharmaceutical wholesaling market.

Towards the late eighties, though, the Ministry of Health decided to claw back some of these efficiencies and, through time, progressively reduced the margin to nothing, as it is now. In 1985 there were 16 pharmaceutical wholesalers; now there are five left, of which three are cooperatives.

Cooperative wholesalers generally include a margin of 10% on the manufacturing cost of pharmaceuticals. Through efficient buying and competitive trading terms, pharmacists then obtain their goods at a net price of manufacturing cost plus 3.5% to 5.0%.

Pharmaceutical wholesaling companies will soon, however, find themselves with increased costs and nowhere else to go but to charge these on to pharmacists – who themselves have not had an increase in fees since around 2003. Government contractual arrangements sets pharmacists' fees and they are not allowed to charge patients more than the standard schedule rate.

Good communication with our members is vital on these issues as what affects us also affects them, and vice versa. Any new company strategy has to be thought out as to how it will affect our transacting members. ●

- Tell **your clients** you're a co-op
- Remind **your members** you're a co-op
- Tell **New Zealand** you're a co-op
- Show **the competition** you're a co-op
- Let **the world know** you're a co-op

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