

Interview with VAD

Edwin Kohl, the president of the German Association of Pharmaceutical Parallel Distributors (VAD) comments on the development, challenges and future of parallel trade in Europe.



Edwin Kohl

President of the German Association of Pharmaceutical Parallel Distributors (VAD)
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What are the reasons for this success? What are the advantages of parallel imports?

Parallel imports reduce the costs of medicine. Patients experience direct benefits from this practice by paying less for the same product when visiting the pharmacist. Parallel imports have an even greater effect on statutory health-insurance funds, to which drugs represent a large and increasing expenditure and which suffer even more greatly under the effects of expensive drugs. Parallel trade generates noticeable savings.

What represents a realistic savings volume?

The statutory health insurance funds estimate that the healthcare system could save a total of 388 million Euros by using parallel imports. As medicines are comparatively expensive in Germany, we enable many medicines to be sold at an average saving of 10 percent.

What influence do parallel imports have on the overall pharmaceutical market?

In addition to the direct cost reductions, parallel and re-imported medicines have the effect of stimulating price competition in what is otherwise a highly regulated market environment. This applies especially to the patent-protected market segment. The introduction of, or even the mere announcement of parallel imported medicines, brings the manufacturers of German equivalents to reduce or at least maintain prices.

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The parallel and re-import of medicines to Germany is a practice with a thirty year history. How has the branch developed since its inception?

To our great satisfaction, parallel trade has developed into a successful niche market. Starting this practice thirty years ago represented an uncertain risk. It was by no means certain that the European internal market would develop so quickly and as successfully as it did. Today, German pharmacies sell around 60,000 medicines per day originating from parallel trade. Employment has also benefited: an extra 3000 jobs owe their existence to this branch of the market.

What was the role played by the European single market and its step-wise realization?

A decisive role: the common market and its realization of the four freedoms made parallel trade possible in the first place. National laws and regulations were subject to increasing harmonization in areas such as pharmaceutical testing, licensing and safety regulation. In this way, parallel trade was able to take ever-greater advantage of the price gap between national pharmaceutical markets in order to provide patients in Germany with more affordable medicines of identical quality.

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Is the Government doing enough to promote pharmaceutical imports? The German government is aware of the contribution which we make to reducing costs and has provided support at various junctures. However, the anti-parallel trade lobby exercises considerable influence on an European level. Manufacturers have a clear interest in maintaining high prices in patent-protected market segments and the costs reductions initiated by parallel trade is a thorn in their side. They are making increasing use of their influence to shape healthcare policy to their favour and restrict parallel trade. We importers need to respond. It should not be forgotten that we act in the interests of one of the most important cornerstones of the E.E.C: the free movement of goods. Those in government have an interest in supporting us.

What is the role played by the VAD? We understand our role as ensuring that those in government, authorities and the public are aware of the social and economic profits derived from parallel trade and re-imports. As part of this, it is in our interest that all our activities are coherent and transparent. As our branch represents only two percent of the European market, our means are restricted. Yet we believe that the advantages of parallel trade will prove convincing in the long-term.

The safety of imports is the subject of repeated doubts. How do you guarantee the safety of imported pharmaceutical goods? To start with, it is necessary to realize that the medicines which we distribute are trademarked drugs verified by the BfArM for their therapeutic identity with their German counterparts. In order to satisfy all legal requirements, the drugs need to be repackaged after being imported. They are then labelled according to German law and are provided with a German package insert. This serves the needs of patient information and eliminates the risk that the medicines are administered incorrectly. We as distributors are subject to the same legal requirements as pharmaceutical manufacturers and require a formal manufacturing license. This is obtainable only after passing extensive tests and is subject to regular controls.

How do you see the future for your branch? The single European health market is in a very early phase of development. I am sure that we can expect very interesting times. The markets will become ever more integrated and the rules will be harmonized. This will provide great opportunities for parallel trade. We also hope to

take greater advantage of the Eastwards expansion of the EU. In view of the difficult condition of European health systems and current demographic developments, cost reduction of high quality provision is of ever-increasing significance.