



# The New pharmacy market in Sweden

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# Agenda

- The pharmacy system before the deregulation 2009
- The background to the deregulation
- The deregulation model and process
- The outcome so far
- Including some remarks of Dick Tromp

# The pharmacy model before the deregulation

## Apoteket AB – the state owned monopoly company

### Nationwide service to all citizens and the health care sector

- ▶ 920 community pharmacies
- ▶ 74 hospital pharmacies
- ▶ 35 Apoteket Shop
- ▶ 11 000 employees
- ▶ Turnover approx 4 billion Euros
- ▶ 100 million customers visits
- ▶ 65 million prescription items
- ▶ 4 production centers
- ▶ 1 call centre
- ▶ 2 distance pharmacies
- ▶ 11 multidose production pharmacies



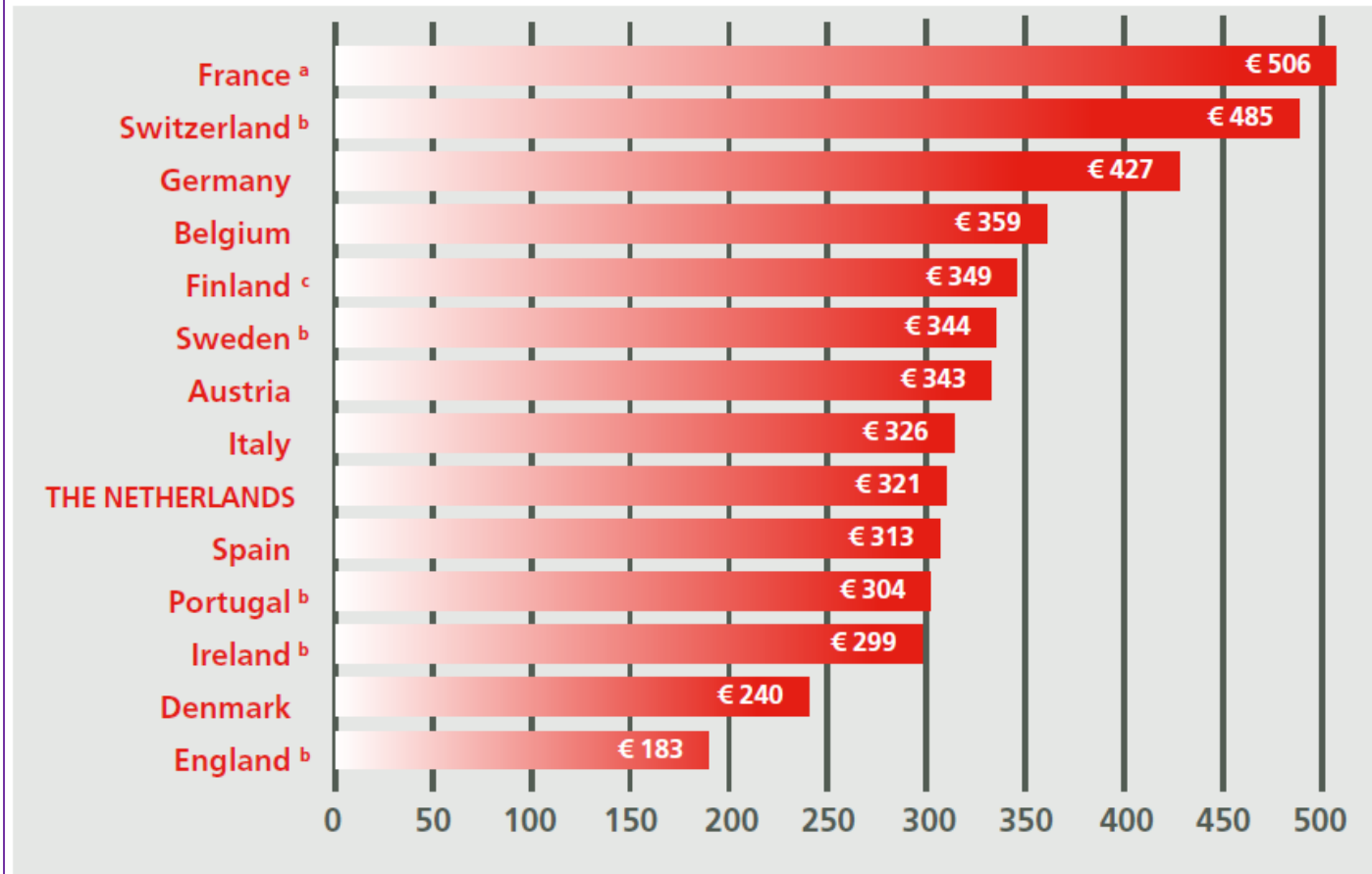
# Dutch pharmaceutical statistics

- 16.000.000 inhabitants
- 1800 community pharmacies
- 2800 community pharmacists
- 100 hospital pharmacies
- 500 hospital pharmacists
- 15.000 assistant pharmacists (3 yrs, licensed)
- 5100 support staff
- 500 dispensing GP's



# Some more statistics

3.01 *Medicine expenditure via pharmacies per capita in 2006*



# The background to the deregulation

- ▶ The state monopoly has been discussed since the 1970:th
- ▶ Before the Parliament elections 2006 – Pharmacy monopoly questioned by the opposition parties at that time
- ▶ New government after Parliament elections September 2006
- ▶ In general, deregulation and selling out state owned companies was on the agenda
- ▶ Pharmacy monopoly especially
- ▶ Appointed a Commissioner (Lars Reije) - Report in January 2008

# The deregulation model and process

## A New commercial pharmacy market with full competition

- ▶ The goal was to
  - Increase availability of medicines
  - Increase effectiveness in medicine distribution
  - Still have price press on prescription and non prescription medicines
  - Still have focus on improving the use on medicines

# The deregulation model and process

## Ownership

- ▶ The state monopoly is replaced with a pharmacy system where anyone except pharmaceutical industry or prescribers can own pharmacies

## Establishment

- ▶ It is free to open new pharmacies where ever you like

## Availability and Services

- ▶ All medicines approved for the Swedish market shall be available in all pharmacies
- ▶ OTCs outside pharmacy
- ▶ All pharmacies shall provide producer independent information and advice

## Competence

- ▶ There must be a pharmacist (master or bachelor) in pharmacy when opened
- ▶ A medicine responsible pharmacist for each pharmacy. One person can be responsible for up to three pharmacies

# The deregulation model and process

## Prices

- ▶ Prices on prescription medicines will still be decided (both in- and out prices) by the national agency TLV
- ▶ Free pricing as today on non prescription medicines

## Infrastructure

- ▶ All infrastructure has been handed over to a new state owned company – Apotekens Servicebolag (Apotekens Service Company) . IT systems needed for dispensing, reimbursement etc. will be available for all actors
- ▶ A holding company – Omstruktureringsbolaget (Reconstruction Company) –handle the sell out of Apotekets pharmacies

## Sell out in clusters – the construction of a competitive market

- ▶ 616 pharmacies was sold out in m 9 different clusters
- ▶ The reconstruction company is responsible for the sell out

# The deregulation model and process

## OAB's objectives and principles for the distribution of pharmacies into clusters

- ▶ Functioning market
  - Good competition
  - Avoid local monopolies
  - Rational operations
  - Geographically-grouped pharmacies
  - The possibility of rotating personnel in sparsely populated areas (maximum 50 km between pharmacies within the cluster)
- ▶ Apoteket AB – doable and with conditions for good market structure
  - Neutral market conditions
- ▶ Good conditions for small-scale businesses

# The deregulation model and process

## The Clusters

### ► Pharmacies that will remain in Apoteket AB

- Apoteket AB retain 330 of the 916 pharmacies/Apoteket Shops
- These pharmacies equate to approximately 35% of today's pharmacies/Apoteket Shops.

### ► Small-business pharmacies in one cluster

- 150 pharmacies was transferred to a subsidiary - another state-owned company. The pharmacies will be sold one by one to individual entrepreneurs.
- These pharmacies equate to approximately 16% of today's pharmacies.

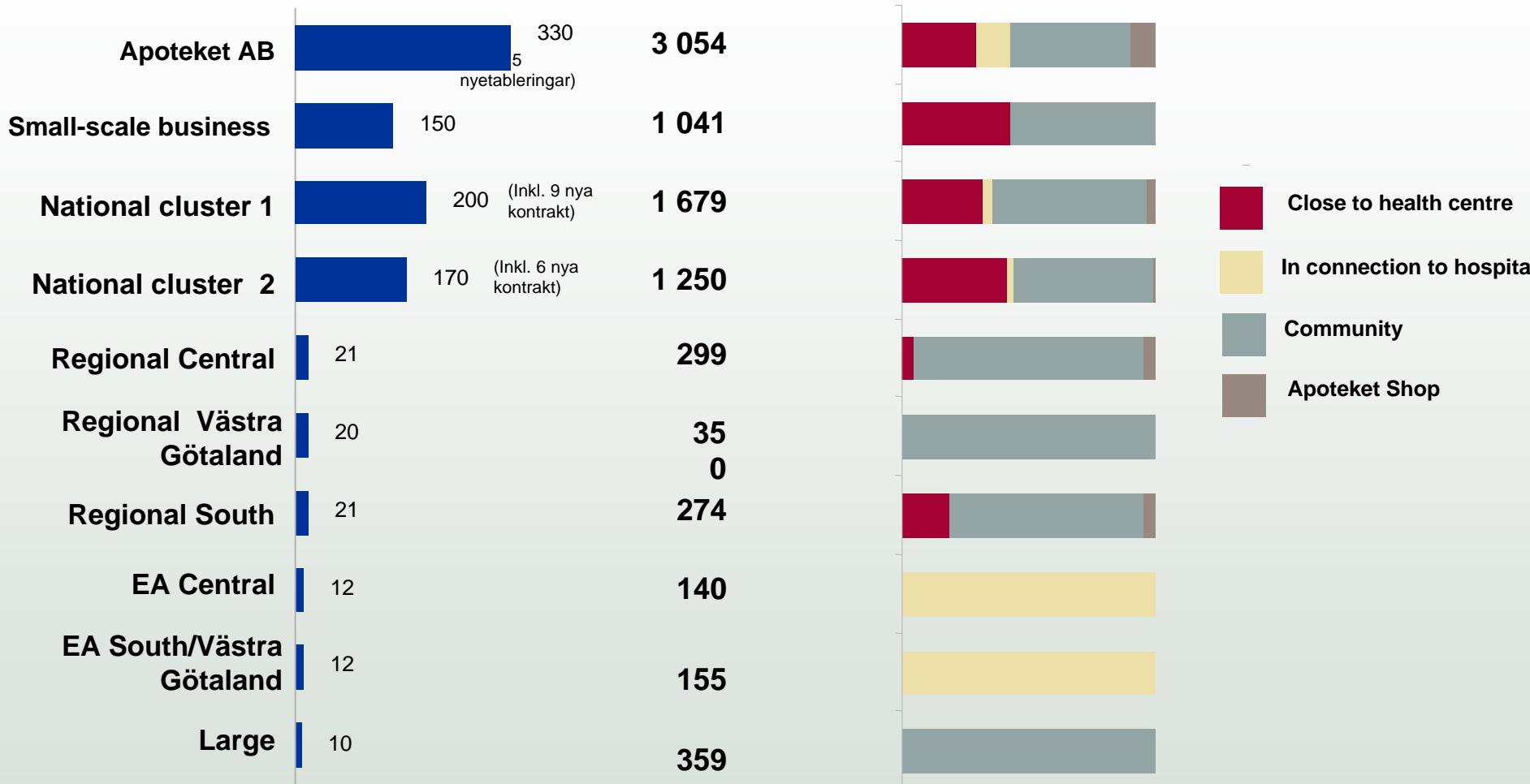
### ► Pharmacies was sold in 8 clusters

- 466 pharmacies has been sold in 8 clusters
- These clusters together equate to approximately 49% of today's pharmacies/Apoteket Shops.

# Number of pharmacies

# Employees

# Distribution of pharmacies



# Ownership and Monopoly

- Not restricted to pharmacists (anymore)
  - Chains (Alliance-Boots HealthCare, Lloyds, Mediveen)
  - Virtual chains (Kring, Service)
  - Independent and not connected (>50%)
- Drogeries may sell restricted list
- General Sales List is even smaller (Gas stations)
- Government wants to develop (liberalised) system
  - Internet pharmacy is allowed
  - Mail-order pharmacy is allowed
  - Pharmacist is legally a health care provider and must always be available to the (one) pharmacy

# Chain pharmacies (2009)

Chain	Total #	Owned #	Independent
Escura	120	97	
Kring	330	78	
Service	>200	0	
Mediq	229	229	
Medsen	76	67	
Lloyds	65	65	
Total	1020	536	920

# The outcome so far

## Four proposals are now effective

- **Nicotine replacement products** outside pharmacy since 1<sup>st</sup> March 2008
- **Hospital pharmacies** deregulated since 1<sup>st</sup> September 2008
- **New Pharmacy legislation** – in force 1 July 2009 – practical from January 2010
- **OTC market** – deregulated 1 November 2009

# The outcome so far

## NPM outside pharmacy

- ▶ Deregulated from 1<sup>st</sup> of November 2009
- ▶ Medicines sold outside pharmacy must fulfill certain criteria:
  - Suitable for self care
  - No serious side effects in normal use
  - Suitable with regard to patient safety and the protection of health
- ▶ Can be sold everywhere except where you sell alcohol
- ▶ Not sold to people younger than 18 years old
- ▶ MPA decides which medicines can be sold outside pharmacy
- ▶ A broad list of OTCs (painkillers, day after pills, cold preparations etc). 540 out of approx 900 presentations
- ▶ Under supervision of personnel (cabinet or at cashier)
- ▶ Can be sold in groceries, petrol stations, kiosks etc



# The outcome so far

## Non Prescription medicines

- More than 3000 sales points including pharmacies
- Close to 10% of the market says Svensk Dagligvaruhandel. The total market is about 3.5 billion SEK
- Price adjustment before the deregulation
  - Prices on 30 out of 50 best selling OTC products has increased before the deregulation. Paracetamol can be sold in boxes of 20 (earlier 30) – same price.
- In principal not allowed to give advice in selling point outside pharmacy – but not prohibited by law.

# The outcome so far

2009-11-09 08:30 **Pharmacy clusters sold for SEK 5.9 billion SEK.**

**Apotek Hjärtat**, owned by Altor, acquired clusters 1 and 8, which comprise 208 pharmacies, with a turnover of SEK 7.1 billion and 1,500 employees.

**Kronans Droghandel Retail AB**, owned by Oriola-KD and KF, acquired cluster 2, which comprise 171 pharmacies, with a turnover of SEK 4.4 billion and 930 employees.

**Medstop Holding AB**, owned by Segulah, acquired clusters 3, 4 and 5, which comprise 62 pharmacies, with a turnover of SEK 3.1 billion and 660 employees.

**Vårdapoteket i Norden AB**, owned by Investor and Priveq Investment, acquired clusters 6 and 7, which comprise 24 pharmacies, with a turnover of SEK 1.4 billion and 230 employees.

# New sign for all approved pharmacies



# The outcome so far

## Overtake of pharmacies

Medstop first in line –  
January 2010

Apotek Hjärtat, Kronans  
Droghandel and  
Vårdapoteket followed in  
February, March and April



# The outcome so far

## Greenfield pharmacy actors

- Apotek 1 (Tamro)
- Doc Morris (Celecio)
- Alliance Boots - together with Farmaceutföretagarna (Sveriges Farmaceutförbund) - "a professional alternative"
- Åhlens (Stockholm. Norrköping,..)
- ICA (Cura pharmacies)
- Private entrepreneurs
- Others??

## The sell out of the cluster of 150 pharmacies intended for entrepreneurs has started.

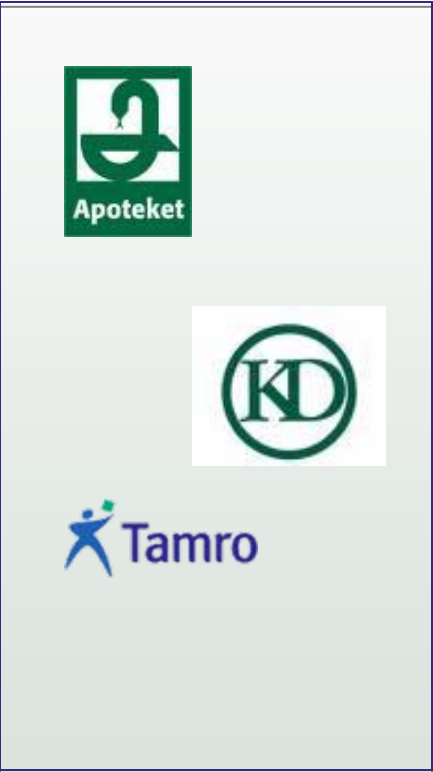
- First step in bidding process finalized February 12
- Still waiting for final result. A second bidding process has started

# Apoteket AB is today in complete competition



# The market development

Yesterday



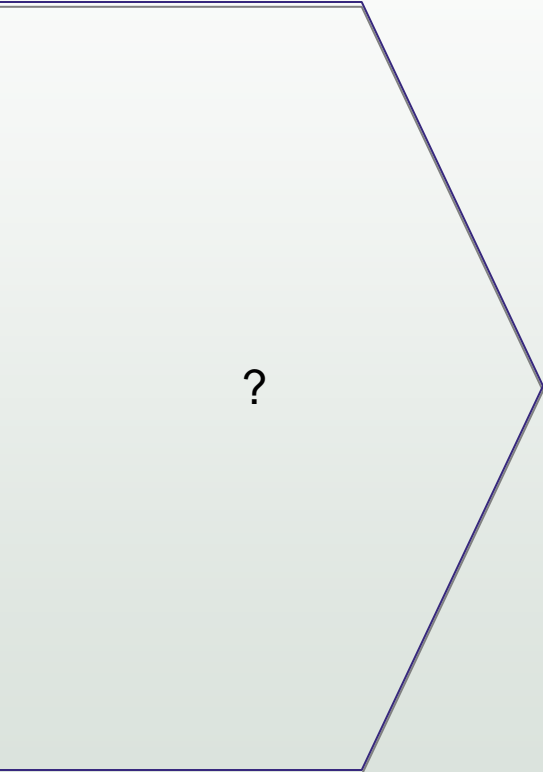
900

Today



900 ++

Tomorrow



1 400?

# Apoteket's role in the future

- ▶ Our objective is to be able to satisfy the customers' need for increased availability and service by being the leading operator within the area of health and pharmaceuticals.
- ▶ We are prepared for tough competition from established international operators and small-scale businesses.
- ▶ We will be a smaller company than we are today, have broader competences, offer just as good service and be more efficient and profitable.



# Thank You!