DELEGATED ACT ON THE DETAILED RULES FOR A UNIQUE IDENTIFIER FOR MEDICINAL PRODUCTS FOR HUMAN USE, AND ITS VERIFICATION

GIRP REPLY

The European Association of Pharmaceutical Full-line Wholesalers (GIRP) is pleased to hereby submit its response to the European Commission consultation on the Delegated Act on the detailed rules for a unique identifier for medicinal products for human use.

GIRP also fully supports the joint submission by of the European Federation of Pharmaceutical Industries and Associations (EFPIA), the Pharmaceutical Group of the European Union (PGEU), the European Association of Euro Pharmaceutical Companies (EAEPC) and GIRP, which are the currently involved organisation in the European Stakeholder Model (ESM) that proposes a pan-European medicines verification system.

GIRP has therefore limited its response only to those points, which are in further detail to the response submitted jointly by the EFPIA/GIRP/PGEU/EAEPC working group on a pan-European medicines verification system and of direct relevance to the wholesale distribution sector. The following are the core comments submitted by GIRP in this independent response:

1. Batch number and expiry date should be included in the code and available in a machine-readable format.
2. Product verification at the point of dispense with random (using the below detailed risk-based determinants) checks at the level of the wholesale distributor is the most cost effective and proportionate approach to achieve supply chain and patient safety and implementation the Falsified Medicines Directive.

On a general note, but as more specifically detailed in the below argumentation, it is important to bear in mind that GIRP members distribute 75% of all medicines dispensed by pharmacies, hospitals and other authorised dispensing points. The 25 % balance is distributed largely through direct sales by manufactures. While 75 percent throughput represents huge volumes of medicines, the current remuneration mechanisms for wholesale distributors are very tightly squeezed to such an extent that the costs of policy option n°2/3 of consultation topic n°2 on the modalities for verifying the safety features would absorb the entire cumulative annual profit of wholesale distributors in Europe and thereby endanger the continuous availability of the supply of medicines to European patients.

A. CONSULTATION TOPIC N°1 - CHARACTERISTICS AND TECHNICAL SPECIFICATIONS OF THE UNIQUE IDENTIFIER

Consultation item n°3: Where do you see the advantages and disadvantages of the approach set out in points (a) and (b) of point 2.1.2? Please comment.

2.1.2. Additional product information

In addition to the comments set out in the joint EFPIA/GIRP/PGEU/EAEPC response, GIRP would like to point out that it is crucial for pharmaceutical wholesale distributors to receive products withharmonised, machine-readable data structure (batch number, expiry date and national identification number where relevant) contained on every pack of medicine. These harmonised, machine-readable data are essential to automatically and securely capture the relevant product information in line with the workflow in the warehouse.

(a) Batch number

The Falsified Medicines Directive by virtue of Article 80 (e) requires wholesale distributors to record the batch number at least for those products carrying the safety features. In practice, this means that wholesale distributors must capture and record the batch numbers of the medicines dispatched to their customers (retail pharmacies and other persons authorized to supply medicinal products to the public).

It is obvious that batch number recording represents additional costs for pharmaceutical wholesalers and if fewer batch numbers need to be recorded, these costs would decrease. Costs do not only arise for the recording of the batch numbers, but also for the related specific handling, storing and replenishing of different batches. Wholesale distributor's commission the orders of their customer at a very high speed, ensuring a rapid delivery of medicinal products to pharmacies so that patients can receive their medicines when expected (the average delivery time of full-line wholesalers is 2.66 hours).

While machine-readable batch numbers contained on the outer package of medicines is an absolute pre-requisite for batch number recording, it still does not fully guarantee that the speed of operation and delivery of medicines to pharmacies can be maintained at the same speed as the case is today.

Furthermore, the availability of the batch number in a machine-readable format on the outer package of medicines also facilitates recalls on the batch level in the distribution chain (both at wholesale distributor and pharmacy levels). Currently, storage shelves need to be searched manually for all products with the concerned batch number. Should the batch number not be available in a machine-readable format as part of the code, the process of commissioning orders will be severely disrupted. For wholesale distributors, it is therefore of vital importance that the batch number be included into the code and be available on the package in a machine-readable format.

If the batch number is not printed on the pack in a machine-readable format, the batch number information would have to be captured manually. The time required to capture batch numbers manually however would run beyond acceptable levels, drastically slowing down the work-flow in the

warehouse. Furthermore, significant error rates in addition to the high costs for the manual capturing of batch numbers can be expected.

Wholesalers' annual labour cost for manual capturing of batch numbers*	53 million Euro for EU 25 (excluding Malta and Cyprus)[1] 55 million Euro for EU 25 plus Norway and Switzerland
Estimated error rate for manual capturing of batch numbers[2]	8%

Any proposal that the batch number be only available on a database and not in a machine-readable format on the pack itself cannot be supported by GIRP and its members. Taking the assumption that all Rx medicines in the EU would carry safety features, wholesale distributors would then have to record the batch numbers for these products.

9.3 billion packs[3] of RX medicines pass through the wholesale distribution channel operated by GIRP members, corresponding to 7.1 million packs per hour[4] at goods-in. This means at least 655,000[5] accesses per hour would have to be made to a database in order to obtain and record the batch number. This number does not include the number of accesses that would have to be made by pharmacies, which would be even significantly higher.

On the basis of this information, the cost for retrieving and recording batch numbers through a database is estimated to be 13.1 million Euro for EU 25 (excluding Malta and Cyprus) and 13.8 million Euro for EU 25 plus Norway and Switzerland.

Apart from the high costs involved in retrieving and recording the batch numbers through a database, other important arguments / considerations against taking this approach must be highlighted:

If the database containing the batch number was to become unavailable during the operational hours or in case of connection problems, there would be no way, other than to manually record the batch number. Furthermore, to hold the batch number on an external database that is disconnected from other product information such as the serial number and not combined in a machine-readable format on the pack itself is an unnecessary security risk.

The disconnection between the serial number and other product information presents a potential weakness in the system and opens it to abuse by counterfeiters should they be able to obtain the in-advance-printed serial numbers and cannot be supported by GIRP and its members.

[1] There are no full-line wholesalers in Malta and Cyprus.
[2] This figure is based on the French experience, where it became mandatory in January 2011 to record batch numbers for medicinal products. Wholesalers who have previously captured batch numbers manually have recorded an error rate of 8% before they had the possibility to capture them through scanning the code.
[3] Annually, based on 2010 data for EU 25 (excluding Malta and Cyprus); 9.4 billion packs for EU 25 plus Norway and Switzerland.
[4] Calculated with a working time of 5 hours at goods-in per day, 5 days per week
[5] 667,000 for EU 25 plus Norway and Switzerland

It has been argued that the serial numbers could be pre-printed by 3rd party packagers to save costs and, following the packing of the medicinal product, the serial number could be linked to a database with the batch number and expiry date. However, the fact that the serial numbers would be known by 3rd party packagers prior to the original manufacturer and the time gap between the production of the pack and the filling of the packs, represents a significant security risk, which GIRP believes cannot be outweighed by cost savings at the production site. Furthermore, cost savings at the production site would be offset by higher costs incurred for wholesalers and pharmacists.

Wholesalers' annual labour cost for capturing of batch numbers and expiry dates from a separate external database*	13.2 million Euro for EU 25 (excluding Malta and Cyprus) 13.8 million Euro for EU 25 plus Norway and Switzerland

(b) Expiry date

The argumentation for the inclusion of the expiry date into the code in a machine readable format is largely the same as for the batch number. The inclusion of the expiry date in the machine-readable code is also necessary for the stock management process in the wholesale distributors' facilities.

Furthermore, it is essential in case the new GDP guidelines make a FEFO (first expired first out) stock management system mandatory. The FEFO system has been included in the current draft GDP guidelines.

Conclusion

We encourage the European Commission when determining whether or not to mandate in the Delegated Act the inclusion of the batch number and expiry date in the actual code of the safety feature to take all factors into consideration. It is of critical importance to ensure that any suggestions for their optional / explicit exclusion from the safety feature code (in a format other than machine-readable) to be fully justified in terms of the cost implication and burden for **all** concerned parties. It is important to note that certain stakeholders may argue for the optional / explicit exclusion from the code of the batch number and expiry date by suggesting alternative means for wholesale distributors to capture and record the batch number (and expiry date), however the costs and additional burden arising to wholesale distributors and pharmacies should be taken very carefully into account due to the fact wholesale distributors have **additional obligations placed on them in relation to the safety features** (beyond product verification) in terms of the requirement for wholesale distributors **to record the batch numbers for medicines at least for those products carrying the safety features** (as detailed in Article 80(e) of the Falsified Medicines Directive).

In the event that manufactures do not include the batch number (and expiry date) in the code of the products bearing the safety features in a machine-readable format, then manufactures dispatching their products to wholesale distributors should be required to make available the batch number of all products supplied to the receiving wholesale distributors in aggregated form, in a machine-readable code on the pallet or our case to facilitate the meeting of the obligations of receiving wholesale distributors for their onward supply.

We urge the Commission to ensure that cost minimising proposals from other stakeholders are not transferred to other parties such as wholesale distributors without due consideration of their impact.

For medicinal products carrying safety features and in relation to wholesale distributors:

1. any process resulting in the **manual capturing** and recording of **the batch number** (and expiry date) **should be excluded**,
2. any process resulting in **capturing** and recording the batch number (and expiry date) **from a database should be excluded**,
3. the **inclusion of the batch number** and expiry date in the code of the safety feature in a **machine-readable format should be mandated** by the Delegated Act in order **for wholesale distributors to effectively and proportionally comply with Article 80 (e) of the Falsified Medicines Directive**.

For the reasons argued above, GIRP is in favour of including a) the batch number and b) the expiry date in the code, as outlined in consultation item n°3 (2.1.2 Additional product information).

Consultation item n°4: Which of the two options set out under point (c) of point 2.1.2 is in your view preferable? Where do you see advantages and disadvantages? Please comment.

2.1.2. Additional product information
(c) National reimbursement number

Option 1: the national reimbursement number is replaced by the abovementioned serialization number
Option 2: The abovementioned serialization number includes the national reimbursement number. In this case, the serialisation number could be composed as follows:

Manufacturer Product code (which includes the prefix of the country)	Unique identification number of the pack	National reimbursement number (see point c)	Expiry date (see point b)	Batch number (see point a)
XXXXXXXXXXXXX	XXXXXXXXX	XXXXXXXX	XXXXXX	XXXXX

In addition to the comments contained in the joint EFPIA/GIRP/PGEU/EAEPC response to the consultation, GIRP would like to point out that in many European countries there are national identification/reimbursement numbers in place, which are often based on national law or are subject to contracts set by national social security systems. Therefore, they cannot be easily replaced. As shown in the table below, national identification/reimbursement numbers are used for various reasons such as for transactions between manufacturers, wholesale distributors and pharmacies. Wholesale distributors in fact rely on the national identification/reimbursement number for the entire ordering process from manufacturers and pharmacies. Additionally, in countries where this is required, the national identification/reimbursement number is also used for reimbursement purposes.

Purposes served by the national identification/reimbursement number[6]:

	identification of medicines in the supply chain from manufacturer to wholesaler to pharmacies	**communication** between doctors and pharmacies when issuing prescriptions	**reimbursement** of issued prescriptions through payers	purpose of **market research**	research institutes, who develop or **optimize forms of healthcare** on behalf of public, semi-public or private institutions	**other**
RESULT	**19**	**10**	**24**	**14**	**9**	**2**

Possibility of exchange of the national identification/reimbursement number with a global number assigned by an issuing agent:

	Easy	**Complex**	**Impossible**
RESULT	**8**	**14**	**4**[7]

[6] Survey conducted among GIRP members in 2011 in EU 22 (excluding Cyprus, Malta and Lithuania) plus Norway, Serbia, Switzerland and Turkey. More than one answer was possible.
[7] Austria, Czech Republic, Germany, Latvia

Coming back to option 1, existing national numbers should - where in place - be made globally unique. They can serve as a manufacturer product code applicable across Europe and become an integral part of the abovementioned serialization number instead of being replaced by the latter. From a technical point of view there exist several ways to do so. A number of European countries have already transformed national numbers to a globally unique product and manufacturer number according to international ISO-standards.

For those countries not having globally unique national numbers in place, the inclusion of national numbers as in option 2 is crucial.

For the reasons argued above, option 1 or 2 as outlined under consultation item n°4 under point 2.1.2 c) should be used depending on the situation in the Member States.

B. CONSULTATION TOPIC N° 2 - MODALITIES FOR VERIFYING THE SAFETY FEATURES

Consultation item n°7: Please comment on the three policy options set out in points 1 to 3. Where do you see the benefits and disadvantages? Please comment on the costs of each of these policy options. Quantify your response, wherever possible.
This applies in particular to the:
- number of wholesale distribution plants;
- costs for adapting such plants;
- duration of scanning of the serialisation number;
- number of pharmacies, including hospital pharmacies;
- number of medicinal products dispensed by pharmacies and a hospital pharmacy.

The number of wholesale distribution plants is 2,019 for the EU 25 (excluding Malta and Cyprus) plus Norway and Switzerland. Three quarters of all Rx medicines which are dispensed in Europe are distributed through pharmaceutical full-line wholesalers.

For purposes of our response to policy options n°2/2 and n°2/3, we have taken the assumption that the batch number and the expiry date would be included in the code in a machine-readable format. Otherwise the costs as outlined under consultation item n°3 have to be added to the costs presented in this section.

1. Policy option n°2/1: Systematic check-out of the serialisation number at the dispensing point

Systematic check-out of the serialisation number at the point of dispense is the only safe and secure way to protect patients from receiving falsified, expired or recalled medicines. It also fulfils the terms of the Directive to protect patients from receiving falsified medicines.

This policy option is therefore fully supported by GIRP and its members.

In this respect, GIRP and its members would like to state that the new requirement included in the Falsified Medicines Directive to record the batch number at least for those products carrying the safety features already involves highly burdensome costs for our sector.

2. Policy option n°2/2: As in policy option n°2/1, but with additional random verifications at the level of wholesale distributors

While we believe that policy option n°2/1 already sufficiently protects patients from receiving falsified medicines, GIRP together with its supply chain partners is in the process of elaborating a European Medicines Verification System (as further detailed joint submission mentioned above) that foresees wholesalers to take part in the verification of medicines carrying safety features on a risk assessment basis and to have “read” access to the repository for verification purposes as well as “write” access for decommissioning damaged products or those designated for export outside the EU (see also the joint response of EFPIA/GIRP/PGEU/EAEPC).

We believe that a systematic check-out of the serialisation number at the dispensing point with additional risk-based verification at the level of wholesale distributors protects the legal supply chain against the entry of falsified medicines.

GIRP presents the risk-based verification of medicines as follows:

For medicinal products carrying safety features obtained from (i) the MAH[8] or a person who is authorised by the MAH to supply these products, or (ii) the marketing authorisation holder or a person who is authorised by the marketing authorisation holder to supply those products, the wholesale distributor is deemed to have satisfied Article 80(a)(ca) of the Directive. Medicinal products carrying safety features on the outer packaging obtained from other authorised sources must be checked by the receiving wholesale distributor. Similarly, if medicinal products are returned from persons authorised or entitled to supply to the public, the wholesale distributor must verify that they are not falsified or tampered with by checking the safety features on the outer packaging.

Overall, GIRP suggests verifying medicinal products received from authorised suppliers other than the listed above in (i) and (ii) and products returned from pharmacies, which amounts across the EU 25 (excluding Malta and Cyprus) to 370 million packs and across the EU 25 plus Norway and Switzerland to 377 million packs handled by wholesale distributors.

Running costs of policy option n°2/2

9.3 billion packs[9] of Rx medicinal products have been handled by wholesale distributors in 2010. Under the assumption that all these packs carry safety features, and wholesale distributors verify these packs on a risk basis, the financial impact of policy option n°2/2 in terms of running costs would be 25 million Euro for the EU 25 (excluding Malta and Cyprus) and 26 million Euro for the EU 25 plus Norway and Switzerland. GIRP has based its calculation on the number of additional employees that would have to be hired to cope with the additional workload of scanning packs on a risk basis and the additional warehouse space they require as well as its maintenance costs.

Capital costs and depreciation for policy option n°2/2

This above section only represents the expected running costs for policy option n°2/2. In order to carry out the verification process of safety features, wholesale distributors also face significant capital costs in terms of additional equipment and upgrades to the existing warehouse management systems and software licenses. Policy option n°2/2 would cost the sector 10.5 million Euro for EU 25 (excluding Malta and Cyprus) and 10.6 million Euro for EU 25 plus Norway and Switzerland in terms of capital costs, depreciation and interest.

[8]MAH – Manufacturing Authorisation Holder(s) which term, for the purposes of this paper, includes both manufacturers and parallel distributors engaged in repackaging to the exclusion of contractors and subcontractors involved in the manufacturing process but not responsible for putting pharmaceutical products on the market. For the avoidance of doubt, a manufacturer engaging contractors or subcontractors to produce on its behalf shall be considered the MAH.

[9] Annually, based on 2010 data for EU 25 (excluding Malta and Cyprus); 9.4 billion packs for EU 25 plus Norway and Switzerland.

Adding the running costs and capital costs, the total estimated annual cost of policy option n°2/2 for wholesale distributors is 36 million Euro for EU 25 (excluding Malta and Cyprus) and 37 million Euro for EU 25 plus Norway and Switzerland.

Wholesalers' annual cost associated with policy option n°2/2*	36 million Euro for EU 25 (excluding Malta and Cyprus) 37 million Euro for EU 25 plus Norway and Switzerland

3. Policy option n°2/3: As in policy option n°2/1, but with additional systematic verification by the wholesale distributors

Systematic check-out of the serialisation numbers at the dispensing point with systematic verification by the wholesale distributors is not feasible for wholesale distributors in terms of costs and time effort associated with this policy option:

The enormous and very complex throughput of medicinal products in wholesale distributors' warehouses (commissioning of up to 22 packs per second in peak times with an average order commissioning time of less than 1 hour) requires a high speed of action in respect to the delivery of products. Wholesale distributors fear a dramatic decrease in the speed of commissioning and delivery from the warehouse as well as a dramatic and unsustainable cost increase, which would be related to the reading of every single pack of medicine. Speed however is the most crucial aspect of wholesale distributors operations. Medicines have to be delivered as ordered by pharmacies and required by patients. As there are currently no technological solutions on the market that would allow wholesale distributors to maintain the speed of their operations, while systematically verifying every pack of medicines, this policy option must be dismissed in its entirety (as it is costly, ineffective and disproportionate), if the continuous and timely delivery of medicines should be guaranteed.

Running costs of policy option n°2/3

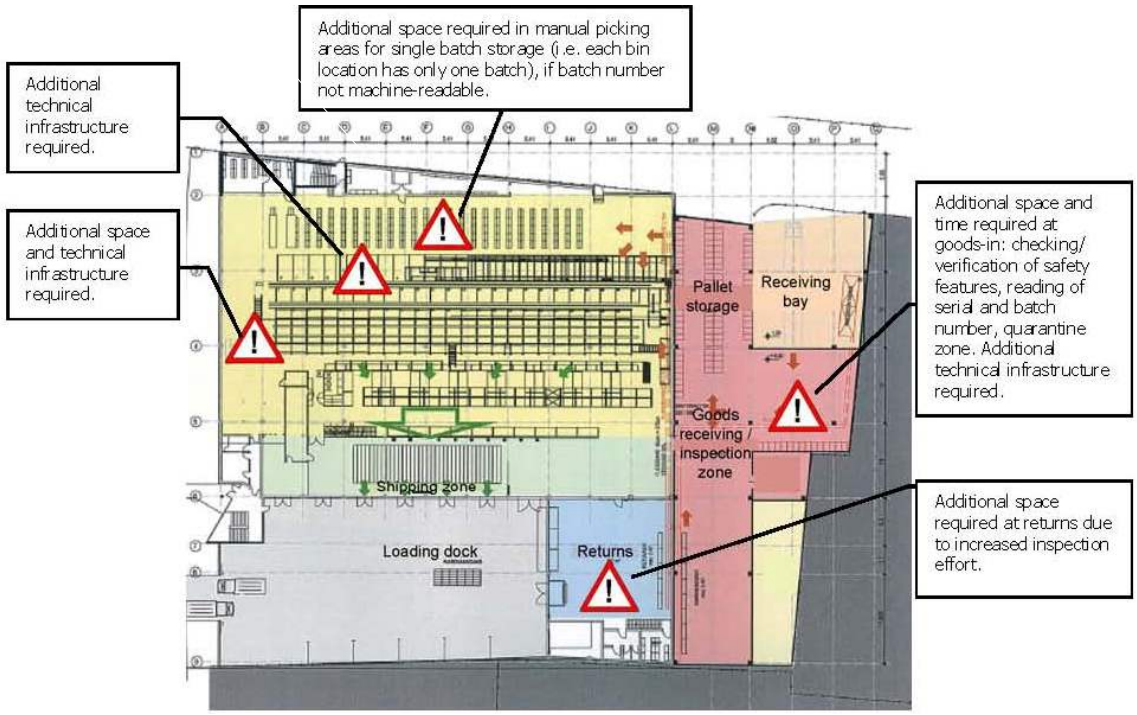
9.4 billion packs[10] of Rx medicinal products have been handled by wholesale distributors in 2010 in forward and return logistics. Under the assumption that all these packs carry safety features and that each pack is only scanned once during the time it is in the possession of the wholesale distributor, the financial impact of this policy option in terms of running costs would be 621 million Euro for the EU 25 (excluding Malta and Cyprus) and 649 million Euro for the EU 25 plus Norway and Switzerland, taking into account that 100 % of the packs would be verified. Again, GIRP has based its calculation on the number of additional employees that would have to be hired to cope with the additional workload of scanning all packs and the additional warehouse space they require as well as its maintenance costs.

The latter costs for structural adjustments are especially difficult to estimate. Therefore, when looking at the figures, it needs to be kept in mind that wholesale branches currently already operate close to full utilisation. Significantly increased workload, such as it is associated with policy option n°2/3,

[10] Annually, based on 2010 data for EU 25 (excluding Malta and Cyprus); 9.6 billion packs for EU 25 plus Norway and Switzerland.

results in the need to significantly increase the warehouse space, which in many cases would mean to either move to a bigger warehouse, as many warehouses cannot simply be extended (e.g. hindrance through surrounding buildings). We estimate that around 10-15% of all wholesale branches are likely to have to be moved. Given the current number of around 2,100 warehouses in Europe, this means that 200 to 300 existing warehouses would have to be abandoned and newly constructed – an investment, which is not possible under the current remuneration of wholesale distributors.

The following illustration of a wholesaler's warehouse shows the zones that would require additional space and/or additional technical infrastructure to cope with the workload associated with policy option n°2/3.



GIRP has attempted to quantify the structural investment without taking into account the 200 to 300 warehouses that would have to be newly constructed.

Capital costs and depreciation for policy option n°2/3

The above calculation only represents the expected running costs for policy option n°2/3. In order to carry out the verification process of safety features, wholesale distributors also face significant investments costs in their warehouses in terms of additional equipment and upgrades to the existing warehouse management systems and software licenses. These capital costs (including depreciation and interest) are estimated at 15.4 million Euro for EU 25 (excluding Malta and Cyprus) and 15.6 million Euro for EU 25 plus Norway and Switzerland.

Adding the annual running costs and annual capital costs, the total estimated annual cost of policy option n°2/3 for wholesale distributors is 636 million Euro for the EU 25 (excluding Malta and Cyprus) and 665 million Euro for the EU 25 plus Norway and Switzerland.

Wholesalers' annual cost associated with policy option n°2/3*	636 million Euro for EU 25 (excluding Malta and Cyprus) 665 million Euro for EU 25 plus Norway and Switzerland

Contrary to other stakeholders, wholesale distributors' costs arising from the suggested policy options are mainly running costs, related to the volume of products subject to safety features. Other stakeholders' costs are mainly capital costs that are dependent on the number of locations for which equipment/software has to be purchased, not the number of products to be verified.

In sum, the arising overly burdensome costs would go against the principle of proportionality as mentioned in Article 54a n°2d, which expressly refers to the fact that the European Commission must take account of the particular characteristics of the supply chains in Member States when determining the verification process.

The financial burden arising from policy option n°2/3 would consume the annual profit of wholesale distributors in Europe and endanger the supply of medicines to European patients.

For the reasons argued above, GIRP completely rejects policy option n°2/3.

E. CONSULTATION TOPIC N°5 - OTHER ISSUES

Consultation item n°13: Please raise any other issue or comment you would wish to make which has not been addressed in the consultation items above.

GIRP would like assurances concerning the time of activation of the requirement for wholesale distributors to record for any transaction in medicinal products received, dispatched or brokered the batch numbers at least for products containing the safety features as set out in Article 80 (a) of Directive 2011/62/EU amending Directive 2001/83/EC. A clarification of the requirements of the point of time when the recording of batch number enters into force is essential. The reason for this relates to the fact that if safety features are voluntarily applied by manufactures ahead of the implementation deadline of the Delegated Acts, wholesale distributors should not be obliged to record this information in advance of the adoption and implantation of the Delegated Acts. Furthermore, batch documentation in the delivery documents should not only be possible in paper, but also in electronic format.

The requirement for the verification of suppliers (e.g. other wholesale distributors) can only be safely ensured once the EudraGMP/GDP databases are fully populated.

* Details of the calculation can be found in GIRP's confidential submission to the consultation.