

OMNICELL/SURGICHEM MERGER INQUIRY

Summary of hearing with Pharm-Assist (Healthcare) Limited held on 14 April 2014

The organisation

1. Pharm-Assist (Healthcare) Limited (Pharm-Assist) was a group of five pharmacies in Leeds, England. It supplied medication to [§] care homes and approximately [§] patients who were in receipt of a weekly prescription.
2. It filled approximately [§] prescriptions items per month, of which about [§] included adherence packaging. Of those [§] approximately [§] were supplied to care home patients and [§] to domiciliary patients. It spent between £[§] and £[§] on adherence packaging a year. Adherence packaging prescriptions represented [§] per cent of Pharm-Assist's income.

Pharm-Assist and the supply of adherence packaging

3. Both MTS and SurgiChem supplied Pharm-Assist with adherence packaging. It had been using SurgiChem products solely over the last eight years, but had started also buying from MTS in the last year. Approximately 80 per cent of its adherence packaging now came from SurgiChem and 20 per cent from MTS.
4. Pharm-Assist had sought this new supply of adherence packaging as it was concerned by the price that SurgiChem charged for additional seals and wanted to reduce the risk of having one supplier. It was using MTS packaging with an MTS heat sealing machine to supply new care home customers.
5. Care homes that had seen their adherence packaging change from SurgiChem to MTS products had no concerns about this at all as the two products were largely similar and Pharm-Assist explained the changes in the products to them.
6. By purchasing adherence packaging from SurgiChem for the entire Pharm-Assist group, it received a volume discount. It did not receive a reduction in price when it told SurgiChem that it could obtain a lower price from MTS.

The adherence packaging market

7. Whilst Pharm-Assist had considered switching to other competitors' products that were cheaper, it felt that these were inferior products and would reflect badly on Pharm-Assist as the SurgiChem product was of higher quality and respected by customers.
8. Pharm-Assist had considered alternative adherence packaging supplied by Venalink, Protomed and EMT Healthcare. It considered that the Venalink products were similar to those supplied by MTS and the Protomed product, Biodose, was not suitable for the care home market. The prices of MTS and Venalink were largely similar while Protomed was the more expensive product.
9. In addition to price and quality, customer service and delivery were also important factors when choosing a supplier of adherence packaging.
10. Pharm-Assist would be willing to discuss purchasing adherence packaging from any supplier – whether UK- or overseas-based – as long as the quality of the product was high.
11. Barriers to switching between products were low as most packaging models were interchangeable and the end user was usually receptive if the reasons for change were well communicated.

Barriers to entry

12. Pharm-Assist noted that the market was an established one that had not seen a large amount of product development or change. A new entrant would need to ensure that any new product was acceptable to both the pharmacists and end users in terms of quality and ease of use.

Impact of the merger

13. Pharm-Assist said that the merger would create one large company in the adherence packaging market which could lead to sustained high prices and could prevent a new supplier entering the market.
14. It did not consider that Venalink could compete effectively against the merged company due to the narrower product range that Venalink would have compared with the merged company.