

OMNICELL/SURGICHEM MERGER INQUIRY

Summary of the hearing with The Co-operative Pharmacy on 25 April 2014

The organisation

1. The Co-operative Pharmacy was formed in 2007 following the merger of United Co-operatives with The Co-operative Group.

The Co-operative Pharmacy and adherence packaging

2. The Co-operative Pharmacy used adherence packaging from MTS, SurgiChem and Manrex. Venalink packaging was used in a small number of its branches. It did not use automated filling machines and it did not use heat sealing machines apart from in one or two of its branches. It bought trolleys and cabinets and leased them to care homes when needed.
3. The reason for using multiple forms of packaging was that prior to 2007, United Co-operatives used MTS as its supplier and The Co-operative Group used SurgiChem. The Manrex product was used across both organisations in the majority of care homes that they supplied. Domiciliary patients used one form of packaging from either SurgiChem or MTS. Since 2007, it had not sought to establish one supplier across all its stores but for new stores it used MTS as its preferred supplier.
4. MTS was chosen as a preferred supplier following a decision made by the pharmacy superintendent that the product met the required professional standards and was suitable for patients. It was then the responsibility of the commercial team to negotiate the best price.
5. The Co-operative Pharmacy saw certain benefits in working with MTS over other suppliers. These included (a) the flexibility of MTS to respond to fluctuating demand; (b) the ability for both organisations to work on product design; and (c) the ease of use of an MTS product for patients.

The future of The Co-operative Pharmacy and adherence packaging

6. The Co-operative Pharmacy was due to review its activity in supplying adherence packaging for the care home and domiciliary markets. The scope

of this review would include and take into account existing commercial agreements with suppliers as well as the requirements of care homes and patients in the community. One of the outcomes might include putting out an invitation to tender.

7. The review would also evaluate how effective The Co-operative Pharmacy's processes were in dispensing medication and whether it should dispense medication to pharmacies from central or localised hubs and whether to move to automated rather than manual filling of adherence packaging.
8. However, it was currently prioritising purchasing arrangements for other products such as medication above adherence packaging as they were a more significant part of its business.
9. It had not considered purchasing directly from a manufacturer as it did not consider adherence packaging an area of expertise and would regard the time and cost in sourcing suitable products as prohibitive.

The adherence packaging market

10. The Co-operative Pharmacy did not believe there was a lot of difference in the price of adherence packaging across different competitors and made its purchasing decision based on product preference.
11. It chose not to use the Venalink product several years ago as it believed that the MTS, SurgiChem and Manrex products it used now were superior at that time. It would reconsider Venalink as a supplier if a product was suitable or if there was a significant difference in price from the MTS product.
12. The Co-operative Pharmacy would only switch supplier if a product had significant patient benefits. If a product was significantly cheaper than other products in the market, it would only consider it if the quality of the product and the wider service provided by the supplier was satisfactory.
13. The biggest barrier to switching to an existing supplier of adherence packaging was the need to communicate the reasons for the change in product to individual pharmacies and patients. It would also need to train its staff to work effectively with the new packaging.
14. However, it would be cautious about purchasing adherence packaging from a new entrant that did not have experience in the market. It was concerned that such a supplier might not be able to maintain the required continuity of supply or provide a product of the necessary quality and safety standards.

15. The Co-operative Pharmacy believed it had buyer power as it owned a significant number of pharmacies and purchased a high volume of adherence packaging.

Developments in the market

16. The Co-operative Pharmacy thought that the demand for adherence packaging among community patients would increase due to the UK's ageing population and an increasing trend to care for patients at home. It also noted that packaging was not the solution to all the problems associated with medication adherence and should form only part of an overall care package for every individual patient's needs.
17. The use of technology within an adherence packaging solution was increasingly available but it did not know how the technology would be paid for if it was not funded through the cost of the prescription. Electronic medication administration record (eMAR) systems had become apparent in the market within the last year. The Co-operative Pharmacy said that the system would be tested in care homes before being rolled out for patients being cared for in domiciliary settings. It was due to begin discussions with another company about the development of an eMAR system.
18. It also noted that in the care homes that it supplied, there was an increasing trend to move towards dispensing medication from original packaging alongside a medication administration record.

Impact of the merger

19. The Co-operative Pharmacy did not have a positive or negative view about the proposed merger. It noted that a significant decrease in the quality of the products either party supplied following the merger would be of concern and would cause it to review existing supply arrangements.