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The wholesaler as a third party logistics provider in the hospital pharmacy supply chain

From Mr T. Garlick

Dr Breen's paper in the January 2004 issue of *Hospital Pharmacist* raises a number of points, and I would like to comment from the perspective of the British Association of Pharmaceutical Wholesalers (BAPW).

The stated objective of the paper is to establish if there is a role for third party logistics providers (3PLs) in the hospital pharmacy supply chain (HPSC). The 3PL could collect orders from suppliers and deliver to customers in a consolidated daily delivery — providing an innovative distribution model for the future.

The HPSC can already be argued to be one of the most efficient in the NHS, not least because of its strong formulary and contracting, extensive use of specialist 3PLs (pharmaceutical wholesalers) and early adoption of "e-commerce". A baseline comparison with similar supply chains, eg, medical and surgical consumables, might be a useful next step.

The wholesaler's role of providing a secure, efficient and effective supply chain for pharmaceuticals from manufacturer to patient, whether in the community or hospital, provides considerable economies of scale. Stocks, systems and transportation are highly developed. They are often located within one to two hours' travel of the hospital, and are already in receipt of weekly "milk runs" from pharmaceutical suppliers. For example, there are at least four depots serving Greater Manchester with specialist hospital operations. To duplicate this infrastructure, the cost of which is currently amortised across all pharmaceutical products rather than being borne directly by trusts, is unlikely to be economic and risks diverting valuable NHS resources.

The model can be improved. The fact that 80 per cent of medicines are destined for patients in the community leaves it open to criticism that the supply chain is "community biased". However, framework agreements between wholesalers and trusts, competition between wholesale firms and more specifically the Purchasing and Supply Agency (PASA)/NHS Logistics KSA project, are actively addressing potential weaknesses.

Among the most telling findings of the PASA/NHS Logistics KSA project is that wholesalers may provide 66 per cent of lines ordered by some trusts, emphasising that a high degree of consolidation already exists. Conversely, other trusts report a tail of over 120 suppliers, representing just 28 per cent of order volumes. In logistics and transaction terms, this is highly inefficient and the consolidation of these deliveries (products are invariably stocked by wholesalers) would represent a major gain.

Unfortunately space does not permit detailed consideration as to what extent medicines can or should be integrated into non-pharmacy collation; and internal receipt and distribution activities. It is, however, fair to say that BAPW members will need to balance the professional responsibilities of their customer pharmacists with the flexibility to meet new operational practices in hospitals, such as those driven by the private finance initiative.

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LIZ BREEN replies:

It is correct that hospitals within the Great Manchester area are serviced by a number of wholesalers who provide an excellent service. Pharmaceutical wholesalers were consulted during the research process and were amenable to the concept of delivery consolidation

as a potential way forward for the NHS, especially if the wholesaler was the 3PL in question, which is perfectly feasible as distribution networks are already in place.

I agree that the HPSC is one of the more efficient systems in the NHS, and the role of the pharmaceutical wholesalers within this should not be understated. The aim of the research and analysis was not to question this but to consider how the supply chain can improve and move forward in relation to ever-increasing demands for quality service. Such movement and development in this area should be brought to the attention of all interested parties and hopefully this paper does so.

Letters to the editor

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