Luis Maria de Palacio Guerrero – President, FEFE, Spain



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Luis Maria de Palacio Guerrero, president of the Federacion Empresarial de Farmaceuticos Españoles (FEFE) lifts the lid on plans to reunite the regional affiliates under the national FEFE umbrella. He also discusses the impact of independent pharmacies in Spain and the future challenges for such a system, in particular, the concept of pharmacy home deliveries.

Could you give our readers an introduction to the role of FEFE?

FEFE was founded in 1982. We are the sole national employers' association for pharmacies in Spain. It was created by the General Council as the 1980 laws of democracy stipulated the presence of both employers' associations and workers' unions. Since the original Order of Pharmacists combined both into one institution, there was a conflict of interest, requiring division into two entities. We have operated independently ever since. The order represents mainly professional interests, and FEFE represents the economic interests of the pharmacy owners. We share many points of view, but with different dimensions.

Since taking over FEFE in 2017, what have been your most important accomplishments?

The main accomplishment was the reunification of the federation. FEFE is composed of regional branches and in 2003, some regions disaffiliated from the national federation. Our priority has

been to reunite them, which we have achieved. We have re-united Madrid and Cantabria, and we are seeking re-affiliating Catalonia in the future. We are stronger with members from each region inside the federation. We still maintain a presence in Catalonia, but it is not our desired situation.

We saw that Catalonia withdrew from FEFE in 2013. What are the main challenges that must be overcome to unite the Federation once again?

We must acknowledge two historical problems. The first was the financial crisis, which affected employees' associations everywhere and across all sectors. The federation has a very complicated structure. One must fund both the national and the regional affiliates. When the crises came, this structure crumbled and regions within the federation questioned the value of their affiliation to the central body.

Moreover, healthcare has been devolved to the Spanish regions – they are the legislators and decision makers. Thus, some regional members preferred to liaise directly with their regional government. Consequently, the national federation was not perceived as an adequate vehicle to communicate with regional actors, encouraging disaffiliation.

To overcome this, we need to communicate that the national federation is necessary to build consensus among the regions. The return of Madrid and Cantabria demonstrates that we have been successful. We hope this message will also be received in Catalonia.

Spain has a different model to other European countries or the United States as pharmacies are independent rather than in franchises. What are the benefits of the Spanish system?

We are always debating the merits of the system with the anti-trust commission. The anti-trust commission would prefer to deregulate our licenses. Currently, it is forbidden for groups to hold the licenses. It follows the rule of 1 license per pharmacist. They cannot share a license.

Regarding whether this system is good or bad, we can only look at the results. Amongst the EU member states, we have the widest distribution of pharmacies across our territory and only Greece has more pharmacies than Spain. We also have the highest number of pharmacists working within the pharmacies in the European Union. Furthermore, the average price in Spain, partly the result of having independent pharmacies, is lower than the average prices across the EU. These indices

provide the basis which justifies the merits of the Spanish model.

A potential downside of having independent pharmacies in Spain could be the lack of collective bargaining with the pharmaceutical companies. How do you plan to improve the negotiating power for independent pharmacists in Spain?

Negotiations are usually conducted through wholesalers. Thus, we need to address the wholesalers' position in Spain if we are to have increasing influence in the market. In Spain, wholesalers are mainly owned by cooperatives composed of the retailers who own the pharmacies. As long as the majority of the wholesalers are owned by cooperatives, there is a very specific link between wholesalers and retailers, as we own the wholesalers in a certain way. There is also another movement where independent pharmacies have started forming small groups with have a common commercial and negotiating strategy to increase their collective bargaining. Hence, there is always at least two distinctive negotiating bodies between the drug manufactures and the independent pharmacies.

Our main concern will never be our negotiating power: whatever the model, there will always be a solution to making our voice heard. Our main concern will be guaranteeing an independent pharmaceutical answer to the population.

How would you define the relationship between the pharmaceutical companies and the pharmacists?

It is similar to their work with medical practitioners. As they are the innovators, they need to communicate and provide information on what we will be working with. We are not only professionals, but we also have a business aspect to our work. If a lack of business expertise is noticed, they will also offer advice in that area.

The professional training and continuous study should be led by the universities, as they are the ones responsible. We have yet to see new standardized platforms that we can use in a more efficient and cost-effective manner. Standardization is an issue in Spain due to the regional devolution of the system. Having minimums of standardized practice will give an economic perspective to this service.

Which reforms of the industry have had the most significant impact, and what reforms is FEFE advocating for?

In all aspects of our business except consumer healthcare, policy is dictated by the Ministry of Health. We have been faced by emergency regulations that were implemented during the economic crisis to lower the cost of health spending, which have endured despite the crisis ending.

The cost of prescriptions is a function of the number of prescriptions and the average prescription price. Previous regulation all sought to lower average prices, controlled by the government. Legislation targeting the number of prescriptions had never been discussed until 2012, when a co-payment system was introduced. This partial payment had already existed for working-age people but was implemented for pensioners. Within 1 and a half years of this reform, the number of prescriptions fell by 30%. This effect was also strengthened by the development of the electronic public prescription. With this, it became possible to control the frequency of prescriptions, which was a huge advancement.

Since the Socialists took power, they have advocated for 100% funding of prescription. For pharmacists, it will have a neutral effect. In fact, it may be preferable for our relationship with the customers since pharmacists won't have to require direct financial contributions from vulnerable groups, such as pensioners. Nonetheless, we have witnessed that making people co-responsible for their health has decreased the excess use of medicines and increased the system's efficiency. Without some level of personal responsibility in the system, it will not be sustainable. There needs to be some kind of financial contribution so that people take responsibility for their health, which I believe will be a key component for future policies. What percentage the contribution should be will have to depend on the wealth of the individual.

Companies such as Amazon and Uber are revolutionizing commerce. It would be beneficial for patients to have medicines delivered to one's home when sick. Do you see these new technologies as a threat or an opportunity for the pharmacies?

We are at a critical moment where we must lead the way. If we don't we will be left behind. As a sector, we need to think of a solution that preserves both a professional and efficient service to the population. If you took away the professional dimension, one could simply hand over the work to Amazon. If we want to continue this professional side, we must offer a professional answer. Today Spain is heavily regulated, so there is no incentive to develop an online strategy for independent pharmacies on an individual basis. There are less than 100 pharmacies offering such services out

of the 22,000 in Spain.

Furthermore, there is the issue of logistics, which are very expensive since we are delivering medicines that total only 5 euros. Companies like Amazon can offer deals and promotions to ensure high-value deliveries. This is impossible for medicines because they cannot be marketed. One cannot purchase an extra box of antibiotics to have delivery costs waived as the quantities are not determined by the consumer. Nor can we market or try to sell specific products. Without such promotions and discounts, it will be very difficult to conquer online marketing. We still have some solutions in mind, but we need to reach consensus amongst the whole sector before publicizing such ideas.

What is your vision for FEFE, and the Role of the pharmacist in 3-5 years' time?

I would like to see FEFE fully reunited and with a modernized structure. I would also like to see us offering a solution to at least one of the challenges that I have mentioned, for example offering an online platform which deals with the problems of online distributing. The online market could condemn small pharmacies as the larger players have a higher reach and can better bare the initial costs. Such a platform from FEFE could assist these smaller pharmacies so that they can continue to serve their local communities.

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