

The Smoke and Mirrors of Dispensing Doctor Discounts

Although there are ever decreasing numbers of products which have a discount applied to them, there are still enough for dispensing doctors to be chasing the best possible deal. Unfortunately, the industry does not make it easy to assess the level of discount and there seems to be no standardised way of comparing one companies discount against another's.

I will try to unravel some of the intricacies associated with Dispensing doctor discount.

Firstly, it is important to distinguish between Wholesalers WD (or Reduced Wholesalers RWD) discount and Manufacturers Discount Schemes (MDS)

Wholesalers Discount

All 3 main wholesalers offer a Wholesalers Discount, which is often dependant upon spend, but should at the very least be above the Discount Clawback level of 11.18%. This may sound very generous, but the reality is that this Wholesalers Discount, often referred to as Qualifying Ethical (QE) discount applies only to Branded products, and then only to a small number of branded products. When looking to see how many products this applies to, it is very difficult to assess, but at a rough estimate, less than 20% of branded products will have a QE discount applied. When you break it down further and assess the implications of this for your own dispensary, you should not be surprised to find that the QE discount applied to your account at the end of each month works out as less than 2% of your overall spend. So, do not be fooled when the wholesalers offer you an "enhanced" wholesalers discount, as the overall effect is going to be minimal.

Reduced Wholesalers Discount

Over the years, many manufacturers have reduced the percentage discount that the wholesalers pass on to dispensing doctors and the RWDs can range from 1.6% to 8% with the majority now in the 3-5% range. This

means that if you get no further discount, then you will immediately make a loss on those products. To add to the complexities of this, some manufacturers will quote a discount on their products, and you may see a very small * which clarifies that the discount quoted included the RWD. Always look beneath the headline rate.

Zero Discount

Many products now have zero discount applied and pharmacies will automatically have no discount deducted. There is an ever-increasing list of products being added to the Drug Tariff. The list can be found in Definitions, Part II, Drugs for which discount is not deducted. All Cold Chain items and Controlled Drugs, as well as Cytotoxics, Insulins, Vaccines and Specials (Unlicensed Medications) are Zero Discounted. Unfortunately, dispensing doctors cannot benefit from the ZD status of these drugs and will automatically have 11.18% deducted from the Basic Price of ALL drugs.

Manufacturers' Discount Schemes (MDS)

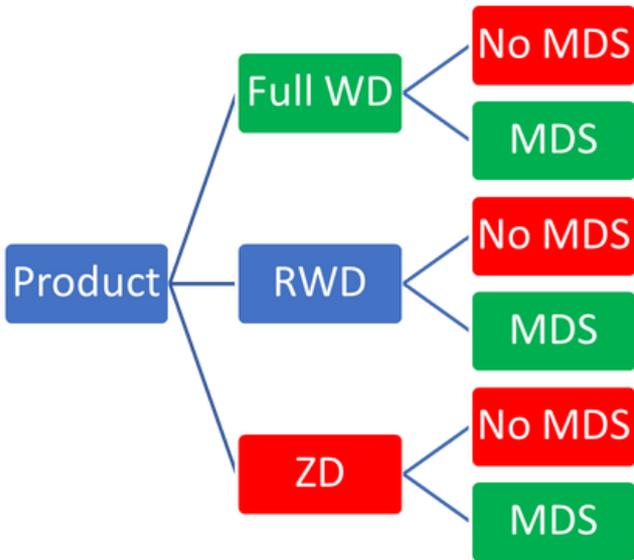
This is where the real smoke and mirrors come into play. Before I expand on that, I need to let you know that there are still some very good dispensing doctor friendly manufacturers who provide transparent, easily understandable discount schemes. It is well worth engaging with them, as some of their discounts are very generous and have been running for a long time. MDS's can come in many guises. The most common is a Discount off Invoice, which is worked out and rebated back to you via the wholesaler. You may need to clarify with the Manufacturer which products this applies to as most manufacturers will provide discounts, but only on part of their portfolio. Even within the same brands, discounts may vary according with different strengths of product having different discounts applied. As before, you will need to clarify whether the discount on the product includes or excludes the Wholesalers QE discount or RWD. There are still some manufacturers who provide a discount, but only after a minimum volume threshold has been reached. This means that for the first 5 or so products you will get NO discount.

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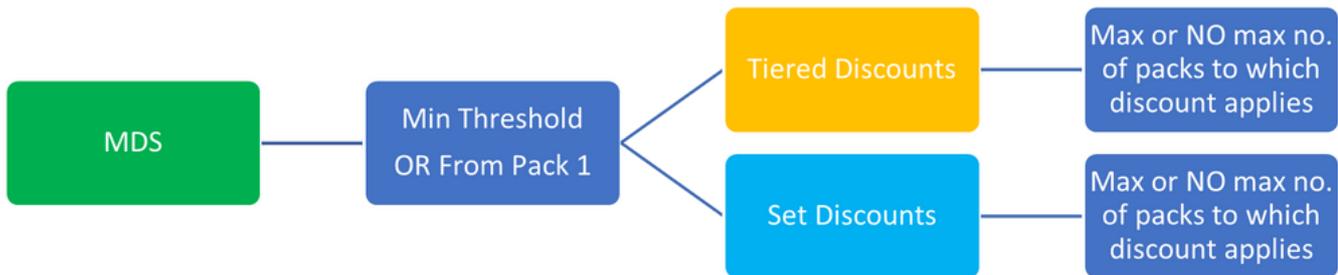
Then you get some companies offering a tiered discount scheme, with increasing levels of discount dependent upon increased volume. This is normally based on a monthly volume. It is occasionally worth ordering more of a particular product in a month to move to the next level of discount.

Increasingly there will be a cap on the volume of products for which a manufacturer will apply the discount. This is understandable as some of our colleagues have been grey trading their discounted products (which are meant for dispensing doctors' patients) and selling them to wholesalers who send the products back into the supply chain for pharmacy. This practice has resulted in many drug companies withdrawing or reducing their dispensing doctor MDSs.

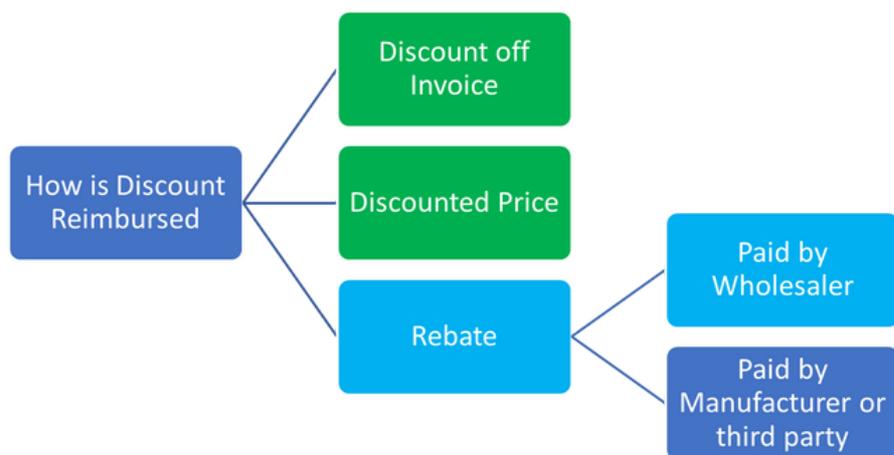
The following Flow charts show the complexities of discounts and how you obtain them.



If you do get MDS, then again it is complex and not easily understood what the barriers are to obtaining the discount.



You then need to ensure that the discount is being applied. Some manufacturers will pay a rebate 3 months after you have paid for the product, and some use a third party. The main wholesalers will assist you in signing up to MDSs but some MDSs require you to sign up directly with the manufacturer. Keeping on top of which MDS you have signed up to and which ones have changed or ceased is an almost impossible task.



Dispex analyses the discounts on products via the Brand Comparisons section of the Dispex website and compares products of the same class. Members can access this information [HERE](#).

Make sure you sign up to ALL Discount Schemes.