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### **We still hope for the best and continue our preparations for the Pharmtech expo despite the coronavirus pandemic that has spread almost to all countries of the globe. What awaits us after the pandemic comes to an end? What impact will the pandemic have on the Russian pharmaceutical industry?**

The pharmaceutical retail and the entire pharmaceutical branch showed an unanimity and readiness for interrupted operation during the crisis.

Not a single crisis has changed our life this fast. Production and commodity distribution chains are falling down, and the employment market is going through a transformation. The world is about to face a new reality and will never be the same.

The pandemic is a strong driver for health care and medicine. We are about to encounter a new focus of their development, which means that the pharmaceutical market is going to change as well. We need to be ready for it.

The part of the state is changing. The state and business together should target stability and sustainability instead of growth. Therefore, we expect that both legislative and executive authorities will go beyond bans and restrictions and start providing institutional support at all tiers. The first steps have already been undertaken: pharmaceutical organizations are now on the list of the industries that need support. This is good.

However, the pharmaceutical retail is still facing certain regulatory collisions and discrepancies that have not been resolved for years. Pharmacies as social facilities operate across health care and trade. Pursuant to the applicable law, pharmaceutical organization, particularly pharmacies, are classified as drug retail entities. However, the Russian Academic Coding System classifies "Pharmaceuticals" as a major as a health care discipline. The state attempts to put us under a strict control as trade entities without regard to the social aspect, thus, affecting the customer.

This conflict exaggerated again amid the efforts to put the coronavirus under control. The Independent Pharmacy Association Self-Regulatory Organization sent another proposal to resolve the issue to deputies of the State Duma. We hope they will make a resolution.

This example shows that no one addresses or wants to resolve even such collisions. We will be unable to move forward and prepare for the new reality if the state does not hear and support the business and if we fail to transform in due time.

We are interested in the dialogue and efficient communications. Therefore, we are looking forward to the Pharmtech & Ingredients expo that has always been a link between all actors of the pharmaceutical market and hope that it will be held in the regular mode. We hope to enjoy offline communications with the industry.

### **How has the operation of pharmacies changed during the corona period?**

Pharmacies were the ones to build the frontline of the pandemic. In the first line, people asked advice and help in pharmacies, not clinics. Pharmacies worked without interruptions and tried to provide the population with required supplies. Surely, pharmacies were operating under more complicated conditions. They undertook stronger sanitary and epidemiological efforts: they disinfected and aired the premises every two hours; they checked body temperature of employees every six hours; they provided personal protection gear (face masks, gloves and hand sanitizers) to all personnel. The load on retail pharmacists increased. Some pharmaceutical organizations were forced to suspend operation of their outlets in retail centres, airports and railway stations. All those factors significantly complicated but did not shut down the operation of pharmacies and at the same time increased the social responsibility of retail.

### **Is there any shortage of drugs?**

Surely, the pharmaceutical industry was not prepared for such challenges. Unpredictable demand for certain categories of medicines caused their persisting shortage. For the first time in many years we had faced a shortage of multiple categories instead of a several articles. For instance, we were short on face masks, sanitizers and thermometers in March and April. Plus immunomodulating, antiviral and solvent medicines. Currently, we are short on such medicines for COVID-19 treatment as hydroxychloroquine, oseltamivir and some antibiotics.

I would like to underline the cooperation regarding the availability of medicines. The Ministry of Industry and Trade built up an ongoing dialogue with the business and holds weekly meetings to communicate and quickly address any issues. Pharmaceutical organizations, drug and medicine distributors and manufacturers take part in the dialogue. It comes really handy in addressing drug shortages incl. in the regions.

### **Will the due date for introduction of mandatory marking postponed due to the pandemic? Do pharmacies and pharmacy chains need such postponement?**

Surely, we understand the need for introducing a mandatory marking to improve drug supply to the population starting from 1 July 2020. However, we cannot afford any negative impact on the market in general or a restricted access to medicines due to the introduction thereof.

Pharmacies are less than 70% ready for it. The staff is not trained, testing issues are still open, and the Drug Turnover Monitoring system sometimes fails. Regional pharmaceutical organizations are still running the uniform tax on imputed income to minimize expenses during the crisis. However, such mode of operation does not allow them selling marked drugs incl. at the testing stage.

In April 2020, the prices for drugs below RUR 50 increased by 15.3% vs. the same period of 2019; and the prices for drugs of RUR 50 to 150 - by 9.8% (according to DSM Group). Extra expenses to be borne by pharmacies following the marking introduction (staff training, setting up a new workplace for commodity acceptance, introducing a new staffing unit, etc.) may cause an additional increase in the price for drugs.

On May 29, the Independent Pharmacy Association Self-Regulatory Organization together with the Pharmaceutical Association Alliance sent a letter to deputies of the State Duma with a request to carry over the marking introduction to early 2021 and to run a 6-month transition period to test pharmaceutical organizations.

On June 2, 11 industry-wide associations, including our self-regulatory organization, sent a collective letter to Vladimir PUTIN, Russian President, pointing out that the industry is not ready for serial operation of the drug turnover monitoring system and providing the reasons as to why the launch should be postponed from July 1, 2020.

We hope our plea will be heard. In our opinion, introduction of the mandatory marking during the crisis will not merely worsen the issues. We believe it will cause a collapse.

### **Will online drug trade boost? Will Yandex, Ozon, etc. be able to obtain licenses for drug trade?**

The crisis will drive reasonable changes in the retail trade. Online trade will take its place on the drug market.

The online trade rules and the Guideline for Issuing a Permit need improvement and governance by by-laws. There are many questions. How should order storage places be arranged and in line with which requirements? How should pharmacies set up a separate order processing service? Should they set up a designated department? How should a marked commodity be delivered and sold at the place of residence of the order maker? Etc.

The requirements to online drug trade set forth in the Rules (a pharmacy chain of 10 pharmacies, no individual entrepreneurs) in general prevent regional pharmaceutical SMB from undertaking such activities. Furthermore, individual entrepreneurs obtain licenses under the same terms as any other eligible entities, and this is as good a legal form as any. Our Association asked the Russian Federal Anti-Monopoly Agency for explanations.

Speaking of Yandex and Ozon, they will surely find their niche in the online drug and ONS trade. However, it will be hard for them to obtain permits at this stage.

During the pandemic and crisis, pharmacies proved once again how important pharmaceutical workers are for the society. A conventional pharmacy will still be demanded in the near future.



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