

LEVEL PLAYING FIELD III

BY JAN M. BULT

LAST YEAR, I WROTE TWO COLUMNS IN THIS MAGAZINE that brought attention to Sanquin, based in The Netherlands, and that provided examples of questionable business practices by the company. I mentioned tax-exemptions, relative high costs for labile products, (cross) subsidies and unfair competition. It was no surprise that Sanquin responded and, in the spirit of transparency, the Sanquin response was published in its entirety in *The Source* magazine. Nothing was written that questioned the facts that I used in the writing.

Subsequently, Dutch Members of Parliament asked questions in the Parliament. The Minister of Health instructed that an investigation was needed to compare the prices of labile components with other countries. On February 4, 2010, the Minister of Health wrote to the Parliament, and the survey results became public. The letter from the Minister and the survey are revealing and confirm many of the facts:

- › An international benchmark on prices of labile products was done and studied The Netherlands, France, Finland, Ireland and the French part of Belgium; and
- › “The prices of short acting blood products for hospitals in The Netherlands are relatively high compared to the other studied countries, prices of plasma for fractionation are relatively low. The report shows a negative margin on the sales of plasma to the private Division. This means that the public part of Sanquin is having a loss favoring the private part of Sanquin.

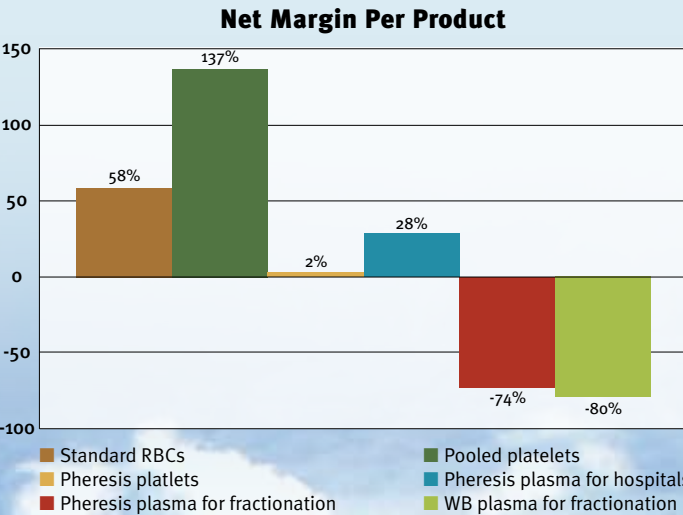
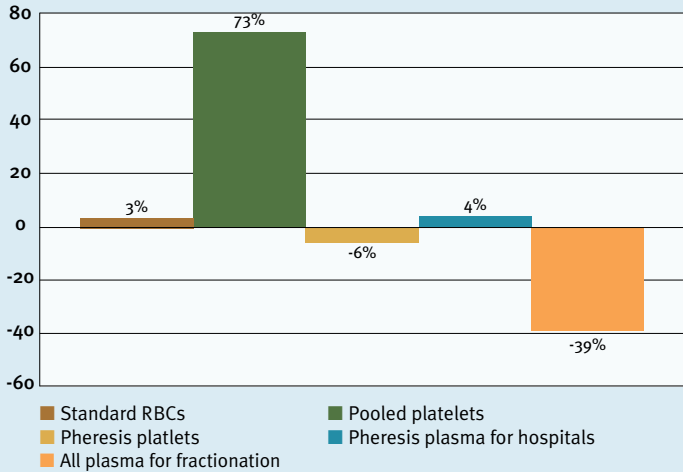
De prijzen van korthoudbare bloedproducten zijn in Nederland voor ziekenhuizen relatief hoog ten opzichte van de andere onderzochte landen, plasmaprijzen ten behoeve van fractionering zijn relatief laag. Uit het rapport blijkt dat er sprake is van een negatieve marge op de verkoop van plasma aan de private divisie. Dit betekent dat de publieke tak van Sanquin een verlies draagt ten gunste van de private tak van Sanquin.

- › Prices for plasma for fractionation (internal pricing) on average are 12 percent lower than the pricing in the compared countries.
- › The results of the study were reason for the Minister to ask Sanquin to increase the price of plasma for fractionation with 12 percent.
- › Normally prices for short acting blood products are increased annually, however, because of the increase of the price for plasma, increases for short acting products will be less than the index.
- › The Minister intends to change the annual report of Sanquin to create more transparency in the cost structure of Sanquin.
- › The price increase of plasma for fractionation to the average of the other countries will only partly remove the negative margin.

In the columns in this magazine and in meetings with parliamentarians and in presentations at public meetings, we have repeatedly pointed out the multiple signs of cross-subsidy. Charging higher prices to hospitals for labile products resulting in artificially low acquisition prices for plasma is not right. It is called unfair competition and a legal challenge. The Dutch Minister of Health deserves a compliment for addressing this issue and ask for more transparency. The report clearly confirms what we have been saying all along. Costs are allocated to the labile components, hospitals pay for it and the acquisition cost of the plasma for fractionation is artificially low.

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Net Margin Per Product with Classical Cost Allocation Model



Source: Europese benchmark Kort houdbare bloedproducten-
Ministerie van Volksgezondheid Welzijn en Sport

It is important to also point out that the survey has its limitations:

- › Ireland and Finland have no manufacturing plants;
- › The plasma for fractionation from the French part of Belgium is going to DCF-CAF where Sanquin is the majority owner;
- › Belgian plasma for fractionation is subsidized at 25 Euro per liter. This money comes from an increase in liability insurance premium for car owners; and
- › France provides plasma only to the French company LFB, also a 25 percent owner of DCF-CAF.

Sanquin is a respected company and manufactures good therapies for many patients. Sanquin is a competitor and there is nothing wrong with that. Competition should be encouraged. But the same rules should apply for all manufacturers. We need a level playing field. Yes, I know some believe that Sanquin is facing a more challenging business environment, but that is what competition is about. The loss of the toll fractionation contract with Finland to one of our members is another complicating factor for Sanquin. Our members continue to invest in product safety, quality and yield and spend serious amounts of money in research in many areas. Finland made a decision to move to a company with a higher yield, because it felt that from an ethical standpoint, it is important that the maximum amount of product is produced using the valuable plasma of Finnish donors.

I will keep you informed. 🌐

The Parliament of the Netherlands in The Hague.

