

Sveriges
Apoteksförening

SECTOR REPORT 2024



PREFACE

2023 was an intense year for the sector. The difficult financial situation and the pharmaceutical shortage put a strain on pharmacies. Despite this, pharmacies have continued to advance their social mandate, as individual businesses, jointly in the sector and in collaboration with authorities.

More and more patients have had to deal with the problems with shortages. In the course of 2023, more than 1,000 different kinds of medicines were affected, from children's painkillers to critical antiepileptics. Pharmacy staff put a lot of work into helping patients solve these problems; often pharmacists can find equivalent medicines, but they could use more tools to facilitate switching to an available medicine. During the course of the year, the government implemented sanction fees when pharmaceutical companies do not report coming shortages, which I hope will have an effect.

The inflation caused by the pandemic and war in the world definitely made its mark on the pharmacy sector. It became increasingly clear that the government's compensation to pharmacies for carrying out their core mission does not cover their costs. During the year, the sector has had a good, close dialogue with the Dental and Pharmaceutical Benefits Agency (TLV), and the pharmacies will be compensated for the significantly increased costs due to inflation. It is high time that the government considers how pharmacies are to be funded in the future. Do they want to reward the added value pharmacies provide? Or must pharmacies be dependent on other sales for survival? What kind of pharmacy market will that lead to in the long term?

The pilot project of pharmacy services, a joint project between the pharmacies and TLV continued in 2023. The services are very beneficial to the patients and TLV has now proposed, as a first step, to implement the Inhalation Guidance service. I hope that this type of pharmaceutical services will soon be a permanent feature at pharmacies.



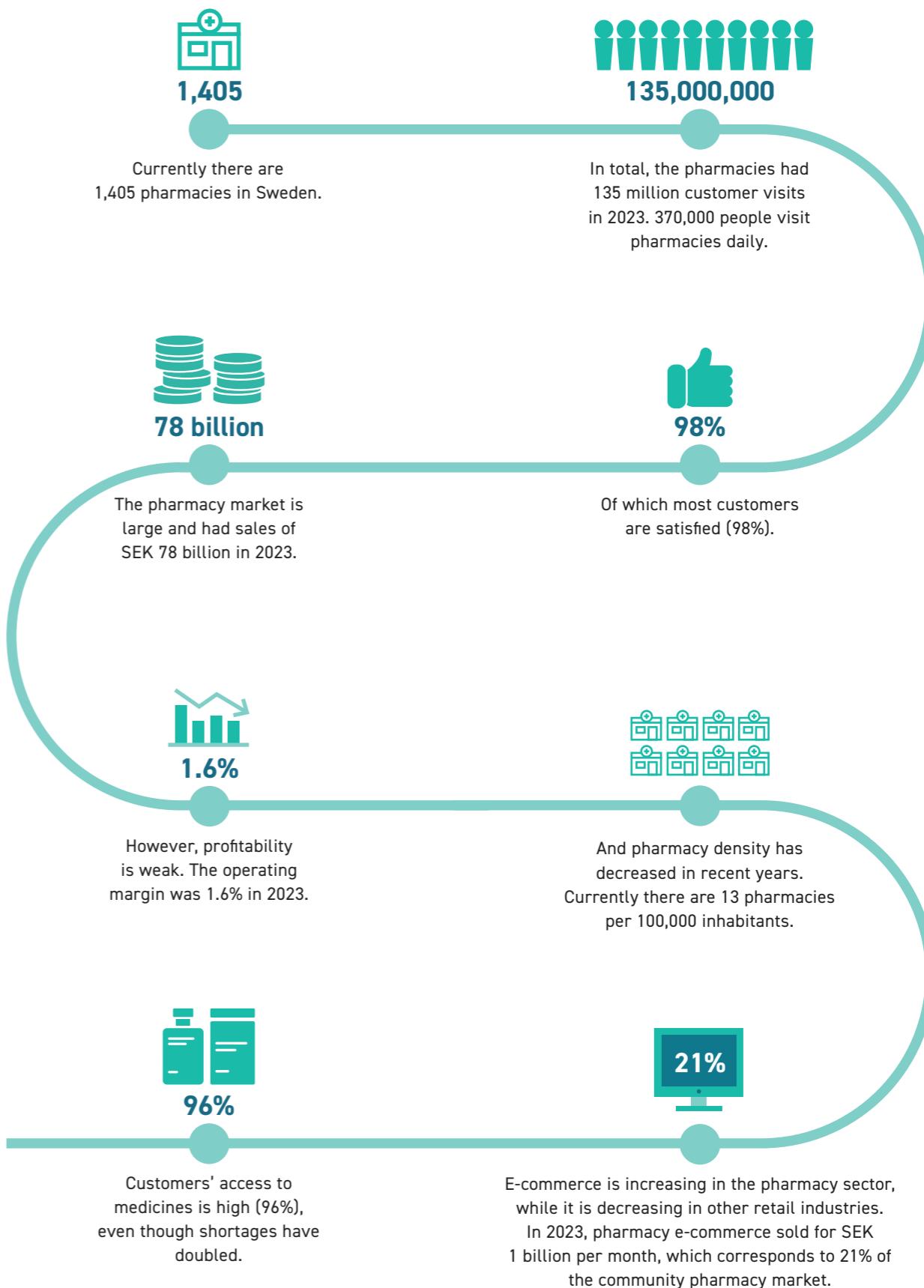
Johan Wallér

CEO, Swedish Pharmacy Association

THE YEAR IN BRIEF

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1. THE PHARMACIES AND THE CUSTOMERS

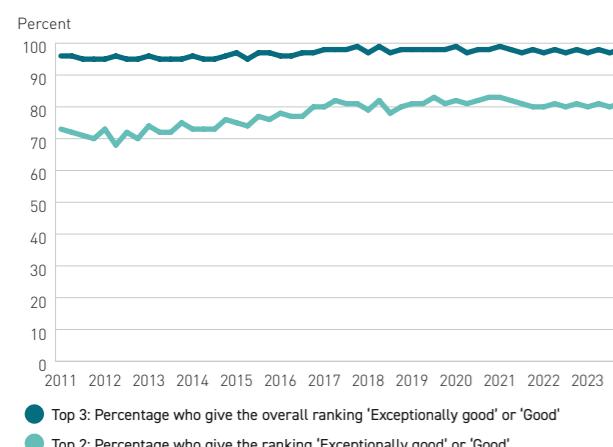
The Swedish pharmacy market consists of national chains, purely online pharmacies and independently run pharmacies. In total there are 1,405 bricks-and-mortar community pharmacies, 7 online pharmacies, 27 hospital pharmacies and three dose-dispensing pharmacies.

High customer satisfaction

In general, the pharmacies have highly satisfied customers, which has been true for a very long time. A total of 98% of customers are satisfied with their latest pharmacy visit and 80% give the ranking ‘very good’ or ‘exceptionally good’ (grade four and five on a five-grade scale). Regardless of gender, age and place of residence, pharmacy customers are satisfied with their pharmacies.

Annual customer surveys show that the two foremost reasons that customers are very satisfied with their pharmacies are the geographical location and that the pharmacy has what they need. Short waiting times and pleasant staff are other important factors. The customers feel that the pharmacy staff inspire trust and give good guidance and advice.

Overall customer satisfaction

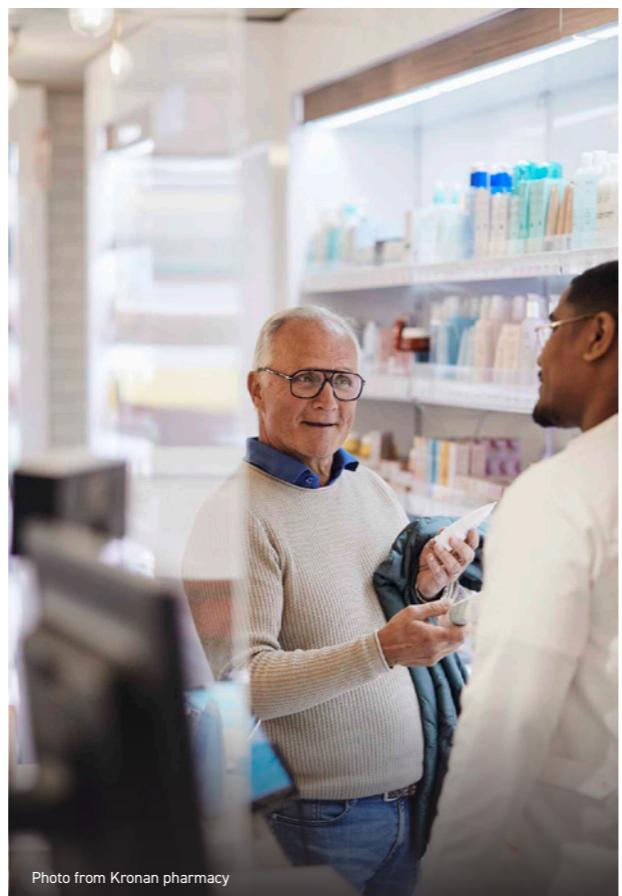


Source: Kantar Sifo, Customer satisfaction on the pharmacy market.

Customers' business at pharmacies

Every day about 370,000 people visit one of the country's physical or online pharmacies. In total, the pharmacies had about 135 million customer visits in 2023. A large proportion, about 37%, of the people

who visit a pharmacy do so to pick up prescription medicines. Pharmacies in Sweden dispensed about 91 million prescriptions and dose-dispensed medicines for human use for 280,000 customers in 2023. The remaining 63% of pharmacy visitors are customers buying over-the-counter self-care medicines and other goods. When customers visit a pharmacy, it is often for several errands at once, and those who are filling a prescription often take the opportunity to buy over-the-counter medicines or other goods as well.



The pharmacy companies

The Swedish pharmacy market consists of four national chains: Apoteket AB, Apotek Hjärtat, Kronans Apotek and Doz Apotek. All chains operate both bricks-and-mortar shops and online pharmacies. In 2023 the merger of Kronans Apotek and Apoteksgruppen was completed and the operations now continue under the name Kronans Apotek. In addition, there are three purely online pharmacies: Apotea, Meds and Apohem, and 49 independently run pharmacies. The independently run pharmacies are organised in the organisation SOAF, which in turn is a member of the Swedish Pharmacy Association. ApoEx is the only member of the Swedish Pharmacy Association completely focused on supplying medicines for inpatient care.



Pharmacies on the community pharmacy market

Community pharmacies are bricks-and-mortar shops that a consumer can visit in person. At the beginning of 2023, there were 1,405 community pharmacies in Sweden. In addition, there are also pharmacies that only sell and provide advice about medicines online. There are a total of 7 online pharmacies. Apart from the community pharmacies, there are nearly 600 pharmacy outlets that serve as collection points for medicines and pharmacy products¹. Outlets are located in smaller towns that do not have pharmacies. The number of outlets has decreased as petrol stations and smaller shops have closed and pharmacies' online sales have increased.

Dose-dispensing pharmacies are a special kind of pharmacy with a community pharmacy permit. Dose-dispensing pharmacies re-package medicines in packets at the specific dosage a specific patient is to take at a given time. This is called dose-dispensing and is a service procured by the regions.

¹⁾ TLV, 2023 review of the development of the pharmacy market.

The purpose is to facilitate medication primarily for elderly people who take many medicines at the same time. About 280,000 people take dose-dispensed medicines. There are three dose-dispensing pharmacies run by three different companies: Apoteket AB, Svensk Dos and Apotekstjänst. Some dose-dispensing is also done for medicines for inpatient care, and some pharmacies have also developed a service that can be purchased by private individuals. In 2023, Apotekstjänst bought Svensk Dos; however, the deal is still awaiting approval from the Swedish Competition Authority.

Pharmacies on the hospital market

There are 27 hospital pharmacies that provide medicines to inpatients and some institutions. Hospital pharmacies have decreased in number as a result of concentration into fewer units, in that supply services are procured for one or more regions. There are currently two pharmacy companies that supply medicines to hospitals in the form of manufacturing or supply services: Apoteket AB and ApoEx. Manufacturing pharmacies (extemporaneous pharmacies) produce individually adapted medicine for both outpatients and inpatients. These include chemotherapy, antibiotics and parenteral nutrition. They also produce medicines for clinical trials. The following table lists all forms of pharmacies that were active at the end of 2023.

Different types of pharmacies in the Swedish market

| Pharmacies by category | 2022 | 2023 |
|---|--------------|--------------|
| Community pharmacies | 1,407 | 1,405 |
| Online pharmacies ¹ | 7 | 7 |
| Hospital pharmacies (in inpatient care) | 28 | 27 |
| Production pharmacies | 4 | 4 |
| Dose-dispensing pharmacies | 3 | 3 |
| Total | 1,449 | 1,446 |

¹⁾ Businesses with a pharmacy permit and a full range of prescription items that only operate by mail order or online, and that do not have bricks-and-mortar stores that consumers can visit.

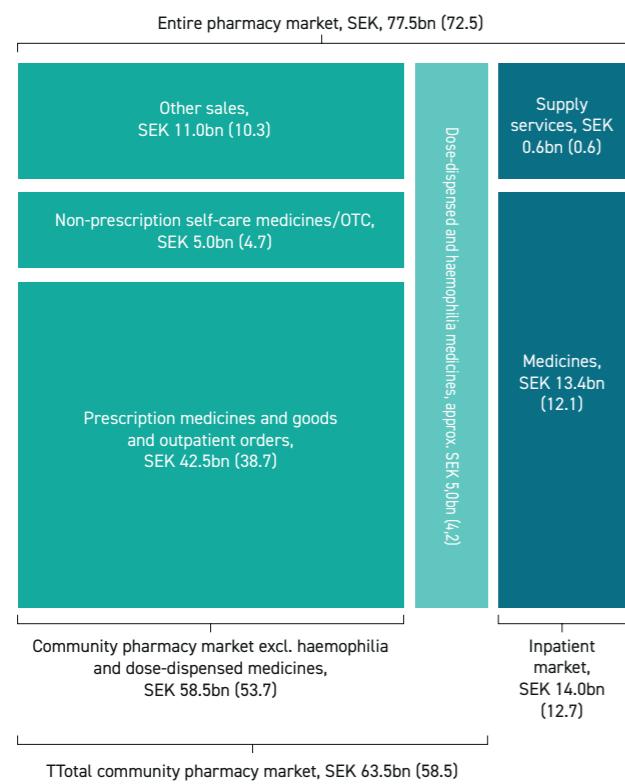
Source: SA Service AB and the EXPO registry

2. THE PHARMACY MARKET'S ECONOMIC DEVELOPMENT

The total pharmacy market – both community and hospital

The entire pharmacy market, including inpatient treatment, realised sales of just under SEK 78 billion in 2023, which is an increase of 5 billion or 6.9 percent compared with 2022. Sales on the overall community pharmacy market amounted to just under SEK 64 billion in 2023, which represents an increase of 5 billion or 8.5 percent over the prior year. These sales include haemophilia medicine and dose-dispensed medicines. The inpatient market, which mainly consists of supplying medicine for hospital inpatients, had sales of about SEK 14 billion in 2023.

Chart showing the pharmacy market based on 2023 net sales



Notes: All sales reflect price to consumer or end customer (pharmacy retail price) excluding VAT, except for medicines for inpatient care, where the prices are net. The pharmacy instead receives compensation for the supply service. Some of the dose-dispensed medicines consist of full packs provided by dose-dispensing pharmacies and other, smaller pharmacies that do not report to SA Service. This figure illustrates different parts of the pharmacy market in 2023 (2022 in brackets).

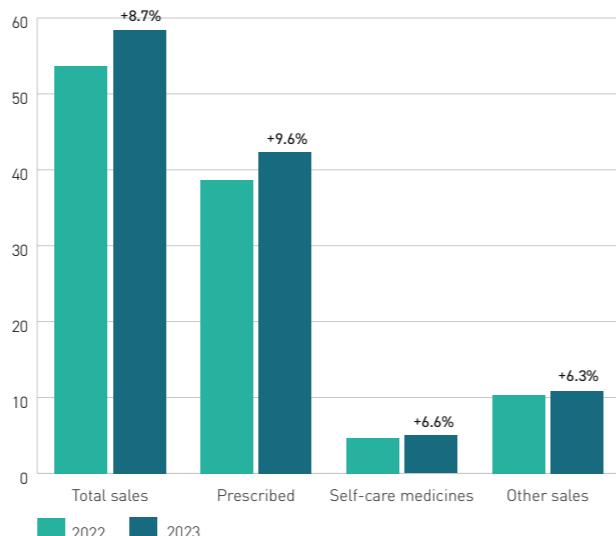
Source: SA Service and the Swedish eHealth Agency

Community pharmacy market and performance by various segments

In 2023, net community pharmacy sales amounted to just over SEK 58 billion. These numbers include the pharmacies' sales of medicines, pharmacy goods and other goods, but not haemophilia and dose-dispensed medicines. The dominant segment is prescription medicines, which account for just over SEK 42 billion or almost 73 percent, while OTC medicines account for SEK 5 billion or just shy of 9 percent and other goods account for SEK 11 billion or just under 19 percent. Community pharmacies also face competition from other sales outlets such as supermarkets and petrol stations for sales of certain non-prescription medicines, but these sales are not included into the pharmacy market.

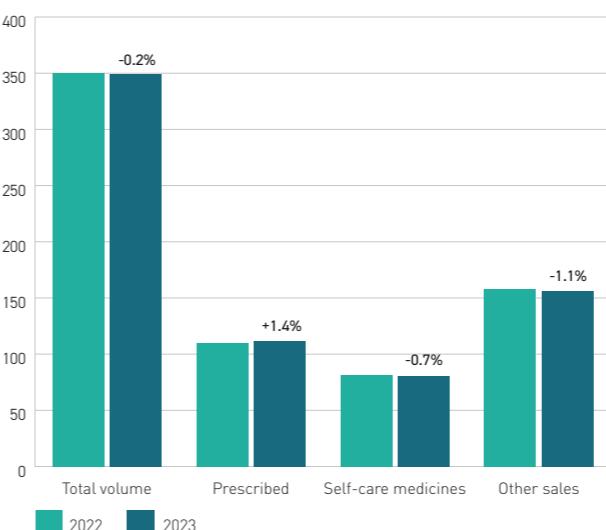
By volume, i.e. the number of units sold (usually packages), the community pharmacy market remained largely unchanged compared with 2022. Only sales of prescription medicines showed positive growth in volume in 2023. In terms of volume, pharmacy goods and other sales were the dominant segment, accounting for about 45 percent.

Net sales in the community pharmacy market 2022–2023. SEK billion



Note: The percentages refer to the development compared to the previous year.
Source: SA Service AB

Number of packages sold in the community pharmacy market 2022–2023. Millions of units

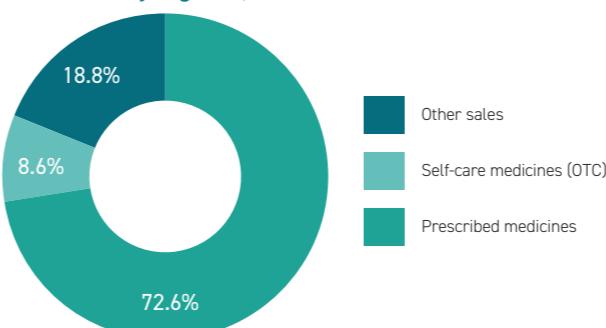


Note: The percentages refer to the development compared to the previous year.
Source: SA Service AB

Prescribed medicines

Of total sales in community pharmacies, prescription medicines make up the lion's share, or just under 73 percent. These medicines account for nearly one-third of the total number of sold units. Which medicines are prescribed and to what extent is determined entirely by healthcare prescribers and not something pharmacies can or should influence. In addition, both pharmacies' purchasing and sales prices are set by the Dental and Pharmaceutical Benefits Agency (TLV) for those medicines subsidised by the government. Pharmacy operations concerning prescribed medicines therefore differ considerably from other sectors, in which unregulated pricing, own production capability and independent selection of product ranges and services are key elements. Total sales of prescription medicines, including so-called 'outpatient orders', totalled just over SEK 42 billion in 2023, and volume increased by 1.4 percent compared with 2022.

Sales (SEK) by segment, 2023



Source: SA Service AB

²⁾ The Swedish eHealth Agency, Concise

Non-prescription self-care medicines (OTC)

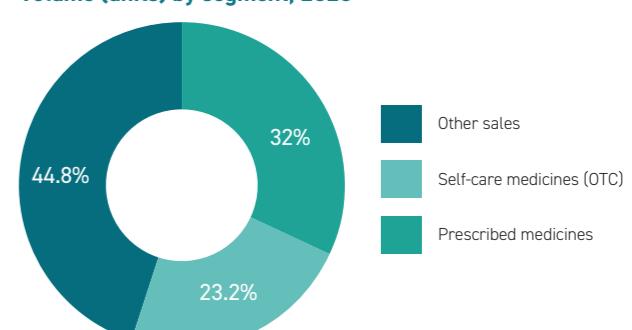
Non-prescription medicine is part of the sales that pharmacies can to some extent influence. These medicines correspond to almost 9 percent of sales and about 23 percent of units sold. Pricing is unregulated for non-prescription medicines, but there is stiff competition both between pharmacy chains and from the fast-growing online market. In addition there is competition from retail trade, which is also permitted to sell certain non-prescription medicines.

Sales of self-care (OTC) medicines at pharmacies in 2023 amounted to SEK 5 billion, which is an increase of 6.6 percent compared with 2022, while the volume decreased by 0.7 percent. This means increased average prices for this segment, which has had falling prices in the past few years. About 16 percent of total sales of non-prescription medicines in 2023 were sold outside pharmacies, which is unchanged compared with the previous year.²⁾ In order to take on the competition from retail trade, which primarily sell well-known brands, pharmacies have introduced more alternative self-care medicines, such as different brands with the substances paracetamol and ibuprofen. This has added to the range of cheaper alternatives for consumers and contributed to further price pressure.

Other goods

Goods sold at pharmacies that are not medicines are called other goods. Sales of other goods totalled just under SEK 11 billion in 2023 and accounted for nearly 19 percent of the community pharmacies' sales. Of the share of total units sold, however, other goods accounted for 45 percent. This segment also had higher average prices, as volume growth was negative while the growth in sales amounted to 6.3 percent in 2023.

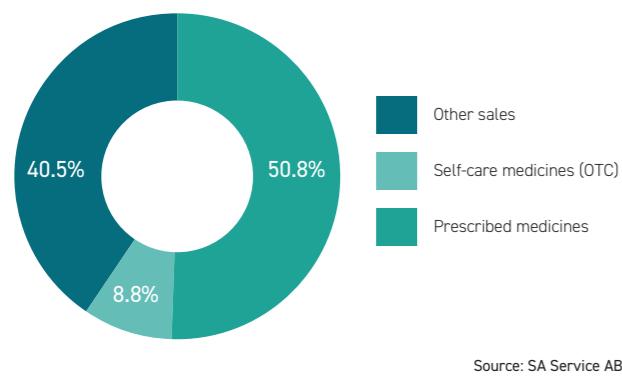
Volume (units) by segment, 2023



Source: SA Service AB

There is a clear tendency for pharmacies to try to offset the low sales markup on prescription medicines and the stiff competition on the self-care market with a good range of products and sales of other goods, often with high quality and with a focus on health and wellbeing. In the past few years, other goods have accounted for the highest percentual sales growth, but in 2023 prescription medicines have had the best sales growth of the three segments. Other goods account for a significantly larger share of sales in the e-commerce channel and made up more than 40 percent in this channel in 2023.

Sales in e-commerce (SEK) by segment, 2023

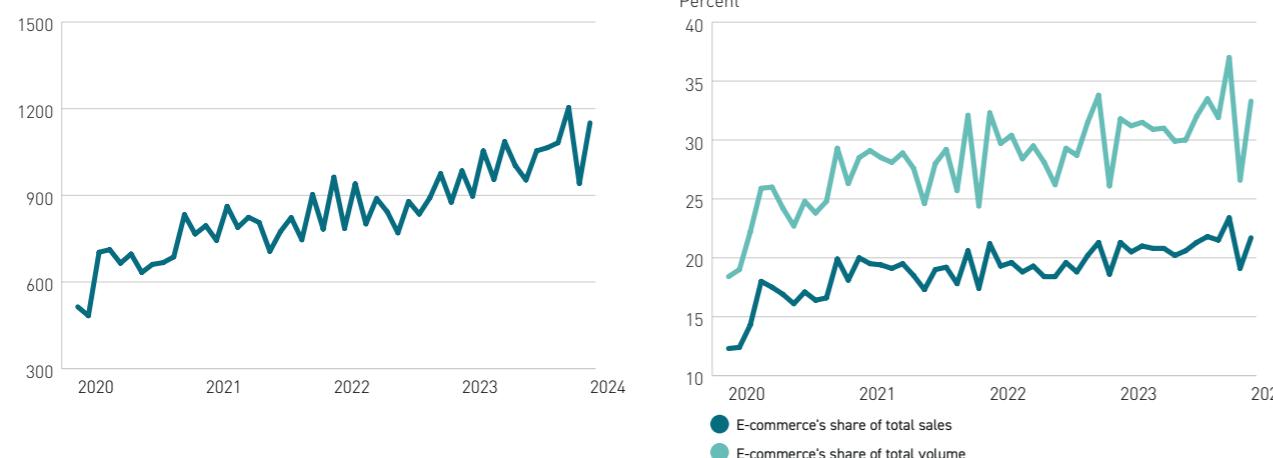


Source: SA Service AB

E-commerce and the shift in channels

Since the start of 2020, pharmacy e-commerce sales have increased from an average of SEK 500 million per month to over SEK 1 billion per month in 2023. Sales were even higher in January 2023, which is a seasonally strong month for e-commerce (SEK 1.15 billion). This corresponds to an increase of about 125 percent compared with January 2020; see the

Total online pharmacy sales, excl. VAT, SEK millions



Source: SA Service AB

graph below. The growth in value for the pharmacy sector's e-commerce amounted to over 17 percent in 2023 compared to 2022. The corresponding figure for 2022 was just under 10 percent. Thus, the rate of growth increased in 2023 compared with the previous year, in contrast to many other retail sectors.

The largest segment in terms of online sales is prescription medicines, which account for half of the value. Pharmacy goods and other goods account for about 40 percent. Measured instead by volume, i.e. the number of packages sold, sales of other goods account for the predominant share, at 64 percent, and self-care medicine is 24 percent. Online operations can offer a wider range of other goods than bricks-and-mortar shops at competitive prices. Pharmacies' combined online sales accounted for just shy of 22 percent of community pharmacy sales in January 2023, and measured by volume (number of units) online sales amounted to about 33 percent in the same month. One year earlier, the figures were about 21 and 32 percent, so the scope of e-commerce has increased somewhat in relation to the growing overall market.

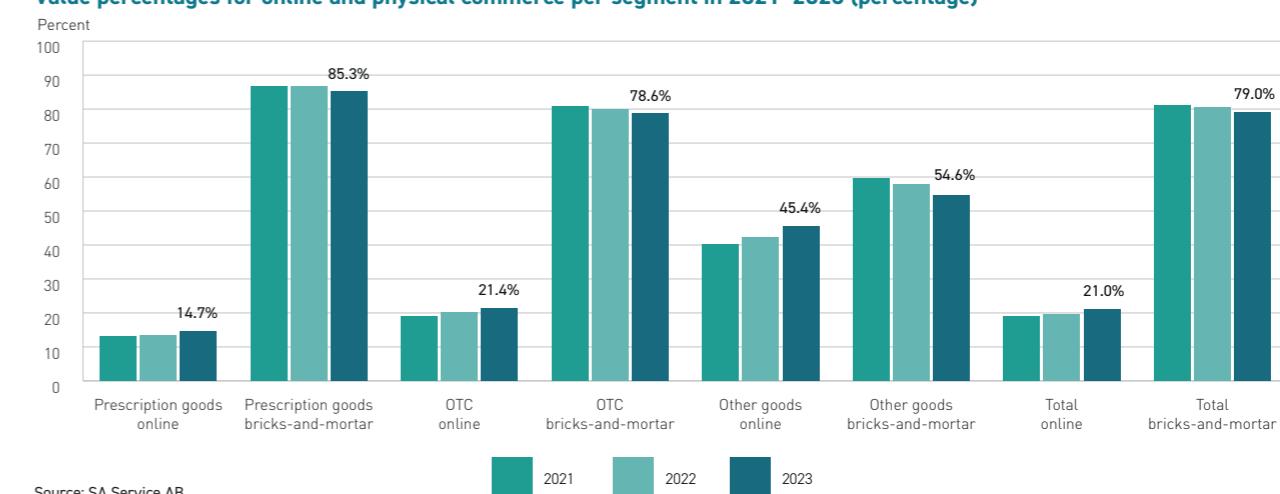
In 2020 and 2021, all the growth was in e-commerce, which resulted in a shift towards this channel, but in 2022 and 2023, value growth occurred in both channels, which is the case for all three segments. The total growth was just over 17 percent in e-commerce and nearly 7 percent in bricks-and-mortar shops in 2023. The graph also clearly shows that the rate of growth of e-commerce increased in 2023 compared with the previous year. The strong growth rate of prescription goods in the e-commerce channel, which

Annual growth in value for online and physical commerce per segment in 2021–2023 (percentage)



Source: SA Service AB

Value percentages for online and physical commerce per segment in 2021–2023 (percentage)



Source: SA Service AB

amounted to about 20 percent, is worth noting.

This shift in channels means that approximately 45 percent of sales of pharmacy goods and other goods were made in the e-commerce channel in 2023. The e-commerce share of non-prescription medicine amounted to just over 21 percent in 2023, while the corresponding figure for prescription goods was just under 15 percent. This development was accelerated by the pandemic and new customers have continued using e-commerce. The increase is particularly evident for customers over 70 years of age, which is also the age group that was most affected by the previous restrictions.

It should, however, be noted that even if the growth was higher in e-commerce in recent years, the bricks-and-mortar channel is still fully dominant and accounts for just over 85 percent of sales

of prescription medicines and nearly 79 percent of non-prescription medicines. This illustrates that the bricks-and-mortar channel is still by far the biggest sales channel for medicines, but that e-commerce is growing very quickly and contributes with increased accessibility, which supplements the bricks-and-mortar shop network. Rural communities and smaller towns show a higher percentage of online purchases than larger towns. Commuter municipalities also seem to have a larger share of e-commerce compared to other municipalities.³

The sector has now probably reached a level where the extent of e-commerce will have an impact on the bricks-and-mortar store structure in the coming years. In 2023 there were only two fewer bricks-and-mortar pharmacies than in 2002, but it was the third year in a row that their number decreased.

³) TLV, 2019 review of the development of the pharmacy market

The inpatient care market

Sales of medicines on the inpatient care market totalled just over SEK 13 billion in 2023, an increase of 10.7 percent compared with 2022. Revenues mainly consist of sales of requisitioned medicines to hospitals for use in inpatient care. Sales of medicines to some state-run institutions are also included in the inpatient market. In addition, some operators provide supply services to regions via procurement, which is also included. The value of these services is estimated at about SEK 600 million in 2023. In recent years, we have seen some mainly small regions opting to operate hospital pharmacies under their own management. Large regions usually procure these services from pharmacies, which are able to provide cost-effective solutions for healthcare as a result of large-scale production and a high level of quality.

Pharmacies' collective profits are still weak

The financial earnings of the community pharmacy market as a whole are reported as operating margin in the table below, i.e. pharmacies' combined operating income (EBIT) in relation to pharmacies' combined net sales. Pharmacies' operating margin is estimated at 1.6 percent for 2023, which means that it has remained under two percent in recent years.

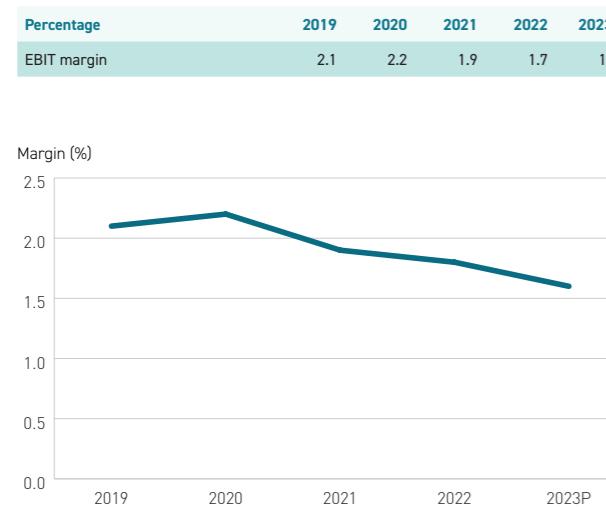
Pharmacies' earning opportunities are largely dependent on the size of the markup, which is determined by the government, and the development



of parallel imports (see more about parallel imports in chapter 4). The pharmacies right to negotiate for parallel-imported medicines results in a strengthening of the margin, as they can purchase these products at a lower price than the purchase price set by TLV without needing to reduce the set selling price to an equivalent degree. The scope of parallel imports has decreased, particularly in the latter half of 2022 and 2023, as the result of the continued weakening of the Swedish krona. The value percentage of prescription medicines amounted to 7.5 percent in January 2023.

For medicines that are not subsidised by the government, non-prescription medicines and other goods, pricing is not subject to regulation, but margins in these segments are under pressure from stiff competition on pricing, particularly from the growth in e-commerce. Overall profitability for the community pharmacy segment therefore remains low and is not sustainable in the long run at the current levels.

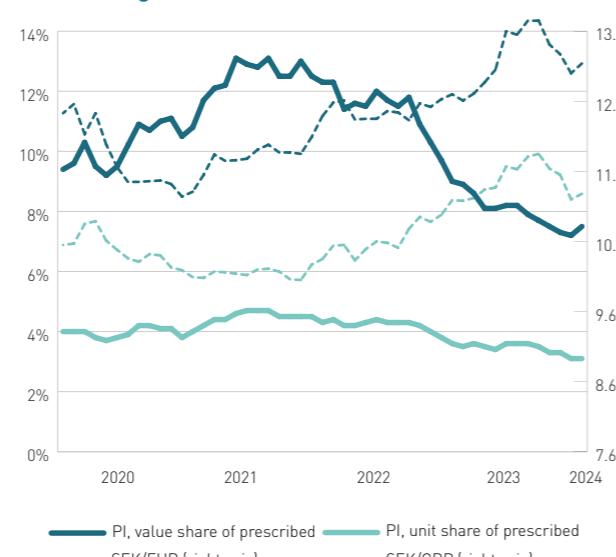
Pharmacies' combined operating income the past 5 years



Note: 2023 is projected. Not including the dose-dispensed market.

Source: The pharmacies' official annual reports, direct information from the pharmacies and SA Service AB.

Parallel imports (PI), percentage of prescribed medicines (left) and the Swedish krona's development against the EUR and GBP (right)



Source: SA Service AB and the Riksbank

3. ACCESS TO PHARMACIES

Currently there are **1,405** bricks-and-mortar community pharmacies and 7 online pharmacies.

Number of community pharmacies

The pharmacy market was re-regulated in 2009, after which the number of bricks-and-mortar community pharmacies increased every year to the end of 2020. At the end of 2023, Sweden had 1,405 community pharmacies, an increase of nearly 476 shops, or more than 50 percent compared with 2009. There are thus substantially more pharmacies today and a significant level of e-commerce. This trend broke in 2021, however, as the number of pharmacies dropped, and the downturn continued in 2022 and 2023 with fewer bricks-and-mortar pharmacies. One reason for this is the growth in e-commerce, which now accounts for some 21 percent of total sales, which impacts the shop structure and establishment of pharmacies.

Number of bricks-and-mortar community pharmacies per company

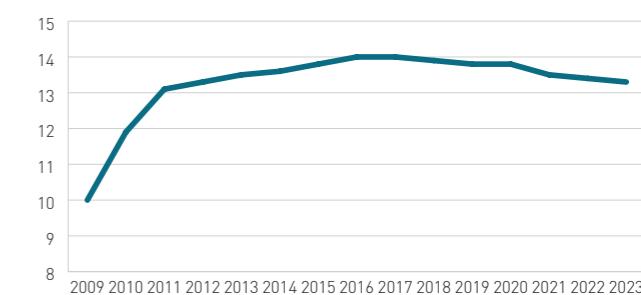
| Pharmacy company | Before re-regulation | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | |
|---------------------------------|----------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | 929 | 345 | 365 | 375 | 372 | 370 | 372 | 388 | 394 | 394 | 397 | 402 | 391 | 390 | |
| Apoteket AB | 929 | 345 | 365 | 375 | 372 | 370 | 372 | 388 | 394 | 394 | 397 | 402 | 391 | 390 | 391 | |
| Apotek Hjärtat ICA ¹ | | 30 | 42 | 48 | 58 | 67 | 391 | 385 | 386 | 388 | 390 | 391 | 390 | 390 | 390 | |
| Kronans Apotek ² | | 189 | 209 | 219 | 300 | 305 | 309 | 323 | 325 | 326 | 323 | 324 | 318 | 508 | 504 | |
| Apoteksgruppen | | 150 | 155 | 158 | 163 | 165 | 169 | 177 | 185 | 188 | 193 | 197 | 193 | - | - | |
| Doz Apotek ³ | | 50 | 81 | 77 | 79 | 83 | 80 | 79 | 78 | 78 | 78 | 77 | 75 | 71 | 71 | |
| Apotek Hjärtat ⁴ | | 256 | 270 | 277 | 306 | 307 | - | - | - | - | - | - | - | - | - | |
| Medstop ⁴ | | 63 | 64 | 65 | - | - | - | - | - | - | - | - | - | - | - | |
| Vårdapoteket ⁵ | | 24 | 24 | 27 | - | - | - | - | - | - | - | - | - | - | - | |
| Independent pharmacies | | 15 | 32 | 28 | 25 | 30 | 37 | 39 | 43 | 47 | 45 | 42 | 44 | 48 | 49 | |
| Total | | 929 | 1,122 | 1,242 | 1,274 | 1,303 | 1,327 | 1,358 | 1,391 | 1,411 | 1,421 | 1,426 | 1,433 | 1,411 | 1,407 | 1,405 |

1) ICA Gruppen purchased Apotek Hjärtat at the start of 2015 and the shared pharmacy name is Apotek Hjärtat. 2) Previously called Kronans Droghandel, which in 2022 merged with Apoteksgruppen and is owned 50% each by Euroapothecka and Oriola. 3) Previously called Lloyds apotek. 4) Medstop was bought out by Kronans Apotek in 2013. 5) Vårdapoteket was bought out by Apotek Hjärtat in 2013. Note: Counted at the end of December of the stated year.
Source: SA Service AB and the EXPO registry

Pharmacies in relation to population

Despite the continuous increase in the number of pharmacies until 2020, pharmacy density, measured as the number of bricks-and-mortar community pharmacies per 100,000 inhabitants, remains the same in 2023 as it was in 2012. Both of these years there were 13.3 bricks-and-mortar pharmacies per 100,000 inhabitants. Pharmacy density increased particularly during the years 2010 and 2011 and has remained relatively constant since then. The increase in the number of pharmacies since 2012 has been matched by the rapid population growth in Sweden during the same period.

Total number of pharmacies and pharmacies per 100,000 inhabitants

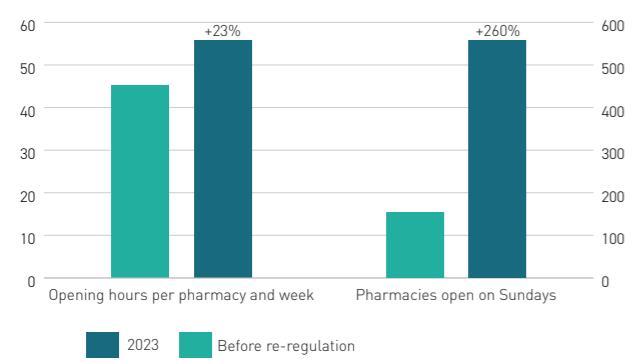


Source: SA Service AB and Statistics Sweden

Pharmacies' opening hours

An accessibility factor at least equally important as the number of pharmacies is their hours of business. Since 2009, pharmacies' opening hours have increased dramatically – from about 45 hours a week to almost 56 hours a week on average in 2023, thus an increase of 23 percent. The number of pharmacies open on Sundays has risen from 154 to 557 since re-regulation, an increase of about 260 percent. Many pharmacies in the country today are open almost 100 hours a week, practically every day of the year.

Opening hours per pharmacy and week, hours (left) and number of pharmacies open on Sundays (right)



Source: SA Service AB and the EXPO registry

Pharmacies per county and pharmacy density

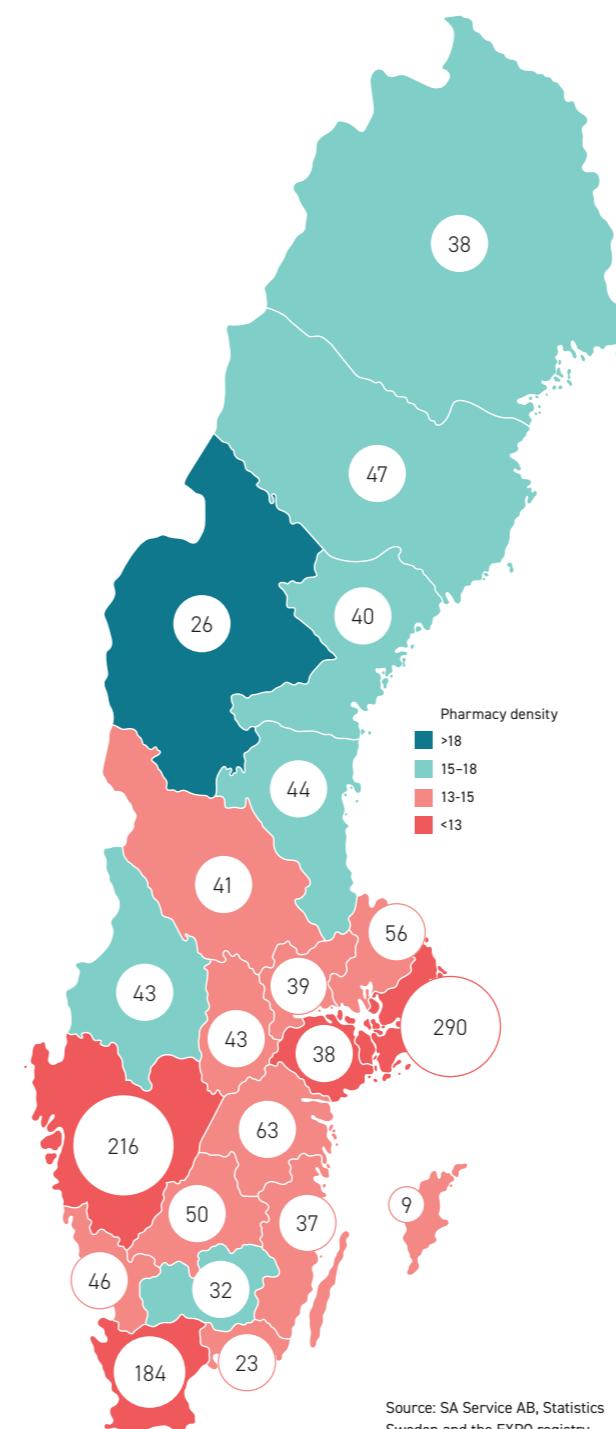
All counties now have more pharmacies since re-regulation in 2009. Most new openings have occurred where the demand for pharmacies has been the greatest, which has increased availability and reduced waiting times at pharmacies. The largest percentage increase in the number of pharmacies was in Uppsala and Blekinge as well as Stockholm county and Skåne. However, these were the counties where pharmacy density was initially the lowest in the country, measured as the number of pharmacies per inhabitant. The smallest increase was in the counties of Norrbotten, Jämtland, Västerbotten and Dalarna, but these were the counties that started out with the highest pharmacy density in the country. Thus, the establishment of new pharmacies has a clear and natural link to pharmacy density in relation to population.

Number of community pharmacies and change per county

| County | Before re-regulation | 2023 | Change, number | Change, percentage |
|-----------------|----------------------|-------|----------------|--------------------|
| Uppsala | 28 | 56 | +28 | +100% |
| Blekinge | 12 | 23 | +11 | +92% |
| Stockholm | 159 | 290 | +131 | +82% |
| Skåne | 103 | 184 | +81 | +79% |
| Halland | 29 | 46 | +17 | +59% |
| Södermanland | 24 | 38 | +14 | +58% |
| Västmanland | 25 | 39 | +14 | +56% |
| Västra Götaland | 142 | 216 | +74 | +52% |
| Kronoberg | 21 | 32 | +11 | +52% |
| National | 929 | 1,405 | +476 | +51% |
| Örebro | 30 | 43 | +13 | +43% |
| Jönköping | 36 | 50 | +14 | +39% |
| Östergötland | 47 | 63 | +16 | +34% |
| Gävleborg | 34 | 44 | +10 | +29% |
| Gotland | 7 | 9 | +2 | +29% |
| Kalmar | 29 | 37 | +8 | +28% |
| Värmland | 34 | 43 | +9 | +26% |
| Västernorrland | 33 | 40 | +7 | +21% |
| Dalarna | 35 | 41 | +6 | +17% |
| Västerbotten | 41 | 47 | +6 | +15% |
| Jämtland | 23 | 26 | +3 | +13% |
| Norrbotten | 37 | 38 | +1 | +3% |

Note: Counted at the end of December of the stated year.
Source: SA Service AB and the EXPO registry

Number of pharmacies and pharmacies per 100,000 inhabitants



Source: SA Service AB, Statistics Sweden and the EXPO registry

Good distribution across the country and different municipal groups

To gain another picture of the distribution of pharmacies across the country, we used the 2017 Classification of Swedish Municipalities as defined

by the Swedish Association of Local Authorities and Regions, and analysed conditions and development between the years 2020 and 2023. The table shows that the largest number of pharmacies, over 38 percent, are located in large towns and municipalities near large towns, followed by metropolitan cities and municipalities near these cities (33 percent) and smaller towns/urban areas and rural municipalities (just under 29 percent). Bricks-and-mortar pharmacies are thus well distributed across the country and throughout various municipality types. The table also shows that the reduction in the number of pharmacies since 2020 occurred in metropolitan areas (-19) and medium-sized towns (-11), while the number even increased somewhat in smaller towns/urban areas and rural municipalities compared with the year 2020. Thus, the drop in the number of pharmacies in the past few years has not impacted the more sparsely populated areas at all.

Number and proportion of community pharmacies per type of municipality in 2023 and 2020 and change compared with 2020

| Main group | Type of municipality | Number in 2023 | Number per main group | Percentage | Number in 2020 | Change, number |
|--|--|----------------|-----------------------|------------|----------------|----------------|
| A. Big cities and metropolitan-area municipalities | A1. Big cities | 239 | 463 | 33.0% | 251 | -19 |
| | A2. Commuter municipalities near big cities | 224 | | | 231 | |
| B. Medium-sized towns and municipalities near medium-sized towns | B3. Medium-sized town | 339 | 540 | 38.4% | 355 | -11 |
| | B4. Commuter municipalities near medium-sized town | 112 | | | 107 | |
| C. Smaller towns/urban areas and rural communities | B5. Low-commute municipalities near medium-sized town | 89 | | | 89 | |
| | C6. Smaller town/urban area | 197 | 402 | 28.6% | 194 | 2 |
| C. Smaller towns/urban areas and rural communities | C7. Commuter municipality near a smaller town/urban area | 87 | | | 86 | |
| | C8. Rural municipality | 84 | | | 87 | |
| C. Smaller towns/urban areas and rural communities | C9. Rural municipality with hospitality industry | 34 | | | 33 | |
| | Total | 1,405 | 1,405 | 100% | 1,433 | -28 |

Note: The types of municipalities are based on SKR's definitions from 2017.
Source: SA Service AB, Statistics Sweden and the EXPO registry



Pharmacies in sparsely populated areas

In some parts of the country, it is difficult to run a profitable pharmacy business. For this reason, special support is available for pharmacies in sparsely populated areas under certain conditions to reduce their risk in case of a decline in the population base. Grants for the 2022 business year amounted to a total of about SEK 12 million and were paid to 40 community pharmacies in 10 counties⁴. As the above shows, there is no immediate cause for concern that pharmacy operations in sparsely populated areas are by definition unprofitable or more at threat than before, provided that the state's regulated margin on prescription medicines is not eroded. Often many of these pharmacies are in an area where they have a position of local monopoly and a sufficient customer base. The profitability problems that the pharmacies have experienced relate mainly to establishment

in metropolitan areas, where competition between operators is fierce.

One development that plays a major role with regard to availability in sparsely populated areas and for rural inhabitants is the establishment of online pharmacies. According to an analysis by TLV, smaller towns have a higher proportion of e-commerce, and lower pharmacy density means higher e-commerce. E-commerce can therefore be seen as a complement to bricks-and-mortar pharmacies in sparsely populated areas.

Swedish pharmacy density in a European perspective

Until 2009, Sweden was second only to Denmark in having the lowest pharmacy density in Europe, with fewer than ten bricks-and-mortar pharmacies per 100,000 inhabitants. Pharmacy density increased

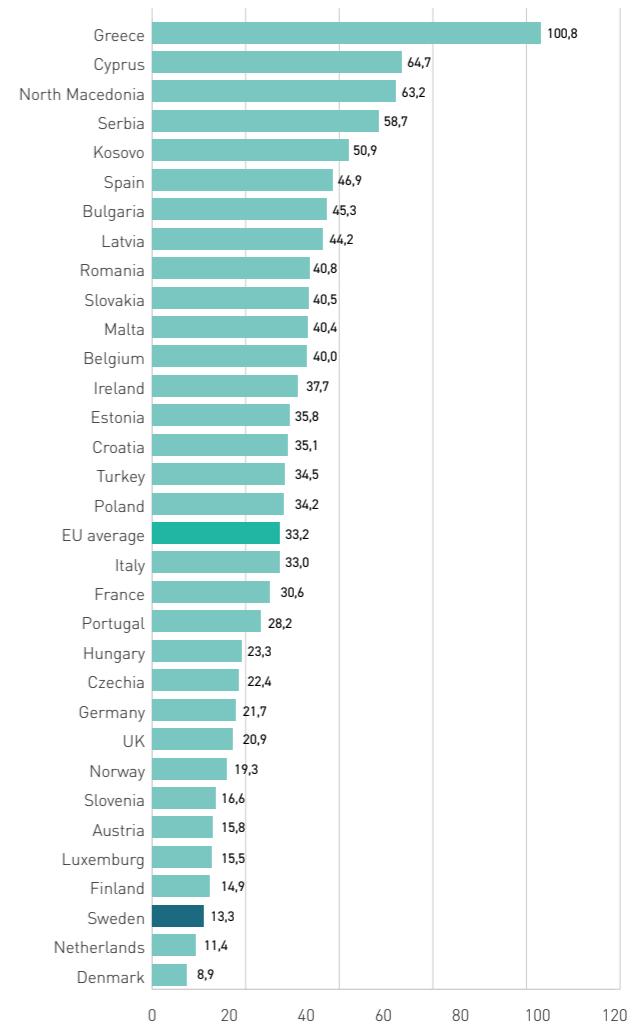
after re-regulation, and by the end of 2023 there were 13.3 pharmacies per 100,000 inhabitants.

From a European perspective, however, pharmacy density in Sweden remains low, and statistics show that Sweden is still one of the three countries with the lowest pharmacy density after Denmark and the Netherlands (see graph). Average pharmacy density for European countries is about 33 pharmacies per 100,000 inhabitants. This means that Swedish residents have about 60 percent fewer pharmacies in relation to the population of European countries on average. One contributing factor is the fact that the Swedish population has increased quite sharply in recent years. The establishment of new pharmacies in Sweden in the past decade is completely offset by the increasing number of Swedes.

There are many reasons that pharmacy density varies between countries. One is that prescribers in Sweden usually prescribe three months' worth of medication at a time. Many other countries prescribe one month as standard, which requires more pharmacy visits.

Sweden also has the most developed e-commerce in the pharmacy sector of any European country. In most countries in Europe, pharmacies are not even permitted to sell prescription medicines online. In some, such as Norway, an online pharmacy must always have a physical shop as well. In Sweden, the e-commerce channel accounts for 15 percent of the total sales value of prescription medicines and over 21 percent of the sales value of OTC medicines. Further, other retail shops sell a limited range of non-prescription medicines, corresponding to about 16 percent of total sales of these products in Sweden in 2023. In several European countries, it is not permitted to sell OTC medicines in other retail shops.

Pharmacy density in Europe, pharmacies per 100,000 inhabitants



Source: PGEU, data from 2022 and 2023

⁴⁾ TLV, Report of support to sparsely populated communities for 2022.

4. PHARMACIES' FINANCIAL CONDITIONS

The nationally regulated markup was raised in March 2024, but the pharmacies' costs for dispensing and providing prescription medicines still exceed the compensation.

Need for appropriate and effective rules

The pharmacy market is in part heavily controlled by laws and regulations. The Swedish Medical Products Agency determines whether or not a medicine will require a prescription, and whether non-prescription medicines should be sold exclusively at pharmacies or if they can be sold at other retail outlets as well. The Dental and Pharmaceutical Benefits Agency (TLV) determines whether or not a prescription medicine should be included in the pharmaceutical benefits scheme and thus primarily subsidised by the government. The same agency determines what compensation the pharmacy receives for carrying out its social mandate of providing medicines and advice on medicines and making generic substitutions.

Many of the laws and regulations that govern the pharmacy market are necessary, because medicines are not just any goods. But all regulations do entail costs while also moderating the pharmacies' freedom to operate. That rules drive costs is an insight that regulatory authorities should bear in mind when drafting regulations to ensure that existing and new rules are appropriate and effective.

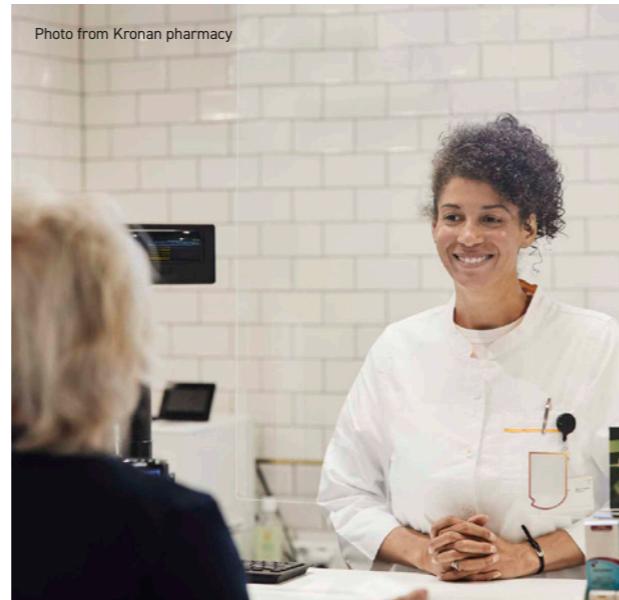
Increased profit margin – a welcome compensation for increased costs

For approximately 70 percent of community pharmacy sales (subsidised pharmaceuticals), TLV determines both the pharmacy purchase price (PPP) and the pharmacy sales price (PSP) for medicines. The difference between these is the pharmacy markup for prescription medicines, which is thus regulated by the government. The markup consists of a fixed amount and a percentage supplement based on the purchase price, which according to TLV should compensate pharmacies for providing medicines, dispensing prescriptions and associated customer advice, and managing generic substitutions of brand-

name medicines. It should also compensate for other costs, such as inventory and inventory losses, and for handling unused medicines that customers can return to a pharmacy.

TLV considers the overall sales performance and profitability; i.e. sales of OTC medicines and other products are not only considered, but are a necessary condition for pharmacies to achieve satisfactory profitability. This means that the current system encourages developing the product range and increasing sales of other products with greater margins than prescription medicines. However, this is a challenge as competition is keen and the growth of e-commerce is pressing prices of OTC medicines and other goods.

According to TLV's established principles, the markup should provide operators with a reasonable level of profitability for prescription sales and create sufficient scope for a profitable overall business, with the aim of ensuring higher availability. But on the contrary, prescription sales are running at a loss.



The Swedish Pharmacy Association has calculated the related costs resulting from the handling of subsidised prescription medicines and found that the markup covered 89 percent in 2016 and 88 percent in 2017, including additional earnings from parallel imports. The cost coverage has decreased further since then, as the regulated markup as a percentage has decreased.⁵

TLV has adjusted the markup as of March 2024; the increased compensation is expected to increase annual pharmacy revenues by about SEK 650 million. In TLV's estimation, there is a financial need for this increase to ensure a well-functioning pharmacy market in the future and good access to pharmacy services.

The agency motivated the increase with cost increases beyond the usual development for premises and staff as a result of the significantly increased rate of inflation and reduced additional earnings from parallel imports due to the weakened Swedish krona. The increased fee to the Swedish eHealth Agency (EHM) was also taken into account; see more below. The pharmacy companies have no way of compensating for these increased expenses and revenue losses, as a significant part of their operations have regulated prices, and it is difficult for the pharmacies to boost sales in other segments or streamline operations further, according to TLV.

The Swedish Pharmacy Association welcomes

this necessary reinforcement of the markup, but also stress that there is cause for TLV to continue to monitor this development closely, as the current weak profitability, cost development and channel shift towards e-commerce present major challenges for pharmacy operators when it comes to maintaining current service levels. The markup should deliver long-term and stable conditions for pharmacy operators, as investment decisions, among other considerations, are long-term. If the government and TLV want to take responsibility for the provision of good medicine advice and medicine supply, then long-term sustainable financing of this sector needs to be in place.

Increased fees impact pharmacies

On 1 March 2024, the Swedish eHealth Agency (EHM) is raising the fee per prescription order line for human prescriptions to SEK 3.20. The Agency estimates that revenues from this fee, which it will earn solely from pharmacy operators, will amount to over SEK 300 million in 2024. These fees are intended to cover EHM's costs for maintaining the databases pharmacies use when dispensing prescription medicine. The increase is due in part to the development and introduction of the National Medicine List (NLL).

One overall aim of the NLL is to create a single source for a patient's prescription medicines, while

⁵ TLV, 2023 review of the development of the pharmacy market.

meeting the patient's need for privacy protection. In contrast to the current situation, healthcare staff and dispensing staff at community pharmacies as well as the patient will all have access to the data in the registry, which means significantly broader access than the previous registries. The number of stakeholders who will have access to the data in the NLL is thus being expanded, but it is still only the community pharmacies that are funding it.

This one-sided funding requirement means that the pharmacies are funding a public good, which would normally be tax-funded. The Swedish Pharmacy Association feels that all users should pay for services they use and contribute to their maintenance, or alternatively that this public benefit, which is a part of the national IT infrastructure, should be funded entirely by grants from the national budget.

Parallel imports of medicines are important to pharmacies

The system for trade of medical products is founded on free movement of goods within the European Economic Area (EEA). Parallel-imported medicines can be either original or generic, but they must be approved both in Sweden and in the exporting country at the time of application. Parallel trade can keep the prices down on medicines for which the patent has not yet expired, which saves money for society, and boosts the margins for the pharmacies, as they can acquire medicines below TLV's fixed prices.



However, it is important to emphasise the extremely volatile nature of parallel trading. An expired patent and the availability of generic alternatives immediately eliminates the conditions for Swedish pharmacies to pursue parallel trade with that medicine. A weakening of the Swedish krona can undermine the added value that pharmacies derive from parallel imports. Similarly, TLV's decision to cut the price of older medicines or reassessments of them may lead to conditions for parallel imports either being reduced or completely disappearing for these medicines. In 2022 and 2023, the Swedish krona has weakened, which has caused parallel imports to decrease primarily in the latter half of 2022 and in 2023 to record lows. Added profits from parallel importing of medicines have been of major significance for the pharmacies' bottom line. Without these earnings, pharmacies would not have been able to increase availability in the way that has been done.

'Product of the period' system needs changing

The generic substitution of medicines saves substantial sums of money for society every year. But the current system is not optimal. It needs to be modified in order to reduce the significant negative effects that it entails. The constant monthly switching of the 'product of the period' leads to risks in terms of patients taking the wrong medicine or not properly adhering to the treatment. The 'product of the period' system means much more stocking for the pharmacies, which means more expenses and scrapping, which is negative from a sustainability perspective. In a previous estimate, the Swedish Pharmacy Association found that extra costs to pharmacies for substitution incurred through inventory and handling costs amount to approximately SEK 300 million annually.

In addition, research shows that price collusion among suppliers was relatively common on the Swedish generics market, which means higher purchase prices for the pharmacies.⁶ It should be pointed out that this is not cartel activity, which is illegal, but a consequence of suppliers frequently meeting on the national marketplace and the goods in a substitution group being by definition homogenous. Thus, competition is really only occurring on the

⁶⁾ Granilund D. and Rudholm N. 2023 Calculating the probability of collusion on observed price patterns, HFI Working Paper No 28.



basis of price and suppliers can see all the price offers afterwards, and act in a way that gives them higher prices and profits than in normal competitive circumstances. The most common situation is bid rotation, where suppliers in a substitution group take turns giving the lowest bid. The study shows that price collusion results in significant added costs to society of around SEK 700 million per year, and that longer substitution periods in the 'product of the period' system would largely eliminate these added costs.

With this in mind, the Association feels that substitution periods should be lengthened to between three and six months. There are convincing reasons for this, not least the significant socioeconomic costs. The current system of generic

substitutions should be changed to become more effective for the benefit of society and patient safety.

Distribution and right of return for pharmaceuticals

There are two companies that distribute medicines from producers to pharmacies: Oriola and Tamro. They are not full-assortment wholesalers; rather, the manufacturer chooses one of these distributors. This means that pharmacies have little opportunity to choose or influence the terms these two distributors impose on them. However, some pharmacy chains have established own distribution solutions for non-prescription medicines, parallel-import medicines and other goods.

A new law came into force in 2018, which means that pharmacies now have the right to return medicines that have not been dispensed. The purpose of the law was to increase access to medicine by allowing pharmacies to keep more products in stock. Refrigerated items – which are increasingly common and often expensive medicines – are excluded from the right of return, which means that the pharmacy has to bear the entire cost if the medicine is not sold or if a customer orders it and then fails to collect it. The Swedish Medical Products Agency previously proposed in a report that refrigerated and frozen products should also be covered by the right of return, which in practice usually entails a credit. However, the matter is still being prepared in the Government Offices.

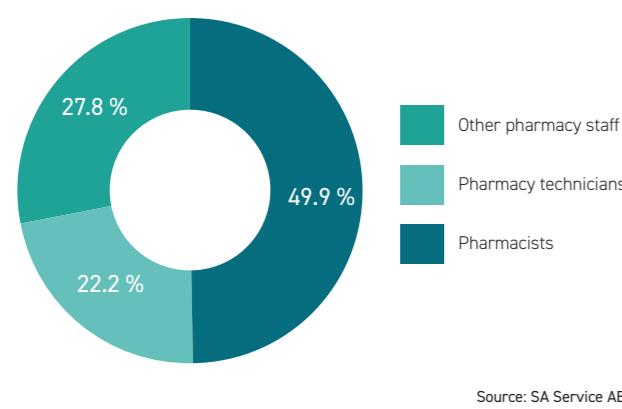


5. PHARMACY EMPLOYEES

The pharmacies' most important resource

Providing personalised advice on medicines and helping with relief and recovery are at the core of pharmacies' business. To be able to provide advice on medicines in a pharmacy requires the right qualification for the task. The pharmacy sector is staffed with highly competent staff with great expertise. This is why the employees are the pharmacies' most important resource. Swedish pharmacies lead the way in Europe in terms of staff educational level. About 50 percent of employees at community pharmacies are graduate pharmacists, while 22 percent are pharmacy technicians who received their training at a higher vocational school.

Competency distribution of employees in community pharmacies in 2023



Pharmacists

'Pharmacist' is the collective name for licensed pharmacists who have completed a master's degree (apotekare) or a bachelor's degree (receptarie). The law states that there must always be at least one pharmacist at Swedish pharmacies. Pharmacists are responsible for handling prescriptions at pharmacies and providing qualified advice on medicines. They perform an important monitoring role, ensuring that the prescribed medicine is actually the one dispensed. The pharmacist can make certain changes, but must contact the prescriber and point out more serious problems with the prescription. The pharmacist is also entitled to object to a generic substitution if this is justified. Pharmacies must also have a pharmacist who is responsible for quality and

safety in relation to handling pharmaceuticals.

To become a registered pharmacist you need to complete a five-year course at university, offered at Uppsala, Gothenburg and Umeå (which also offers distance studies). To become a BSc-qualified pharmacist you need to complete a three-year higher education course, which is offered on site and remotely in Kalmar and Umeå, and on site in Uppsala, Gothenburg and Malmö.

Pharmacy technicians

Pharmacy technicians are primarily responsible for pharmacies' self-care advice and the sale of non-prescription medicines and other products. Some technicians who are qualified to work with prescriptions also provide support to the pharmacists in handling prescriptions. Both pharmacy technicians and pharmacists are able to determine when a customer should be referred to healthcare services, or when self-care is adequate. To work as a pharmacy technician, one must have gone through a special three-term vocational secondary education arranged by a training coordinator financed by the Swedish National Agency for Higher Vocational Education and thereby using the teaching plan developed by the pharmacy sector in collaboration with the Unionen trade union. The site www.jobbapåapotek.se provides links to these training companies and the universities and colleges that offer pharmacy training.

Other pharmacy staff

Other staff working in pharmacies may include self-care advisors, i.e. people who have internal training in self-care and provide relevant advice, and pharmacy assistants who work the till and manage stock, etc.

Number of employees in the sector

In 2023, the mean number of employees working in pharmacy businesses in Sweden was about 12,100, of whom nearly 11,000 worked specifically at community pharmacies.

Prior to re-regulation in 2009, the number of employees at the then 930 community pharmacies corresponded to just over 6,200 full-time positions (full-time equivalents). In 2023 the corresponding



figure was just shy of 10,000 full-time equivalents at 10,405 bricks-and-mortar and 7 e-commerce pharmacies. Thus, the pharmacy sector has grown significantly since re-regulation and the number of employees in the sector has increased. However, the number of employees per pharmacy has decreased somewhat, due to the fact that there are more pharmacies, often somewhat smaller in size but more efficient in their staffing and scheduling.

Competence supply challenges

There is essentially no unemployment in the sector and the salary trend in recent years has been good. Employers report that the shortage of pharmacists remains high both with regard to recently graduated and more experienced pharmacists. In 2023, about 450 active pharmacists were either approaching or had already reached retirement age; of these, approximately 320 were 67 or older. Furthermore, a number are expected to retire in the coming year, particularly many BSc-qualified pharmacists.

The shortage of pharmacists is particularly great outside the big cities. There are already many examples of pharmacies that have been unable to open or forced to close due to the difficulty in recruiting pharmacists to smaller towns across Sweden. Pharmacists are also in greater demand

in other parts of the healthcare sector and in the pharmaceutical industry.

The sector is making a collective effort to ensure a greater number of available places in study programmes and an increased application volume to these pharmacy programmes. The sector also works with the Swedish Pharmacists Association and the Swedish Academy of Pharmaceutical Sciences on projects financed by the government to accelerate the process for immigrant pharmacists to become licensed in Sweden. There is still a large group of pharmacists with training and education outside the EU who wish to work in pharmacies but who require Swedish credentials to be able to do so. One challenge for the sector is attracting more men to apply to pharmacy education programmes and pharmacy jobs. A great majority of employees are women.

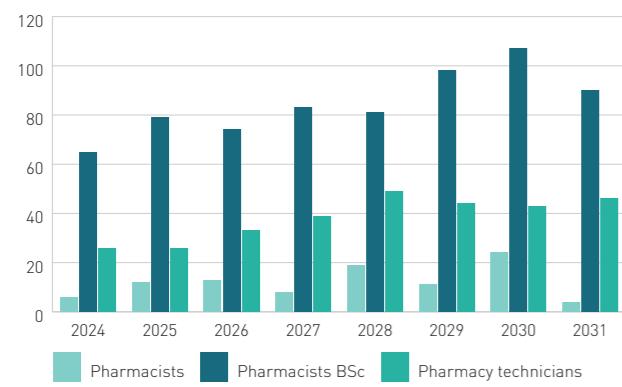
Number of pharmacists aged 65 or over working full or part-time

| Age | 2022 | 2023 |
|--------------------|------|------|
| 65–66 years of age | 103 | 128 |
| 67 or older | 269 | 319 |
| Total | 372 | 447 |

Source: SA Service AB



Estimated number of retirements for employees with different levels of education



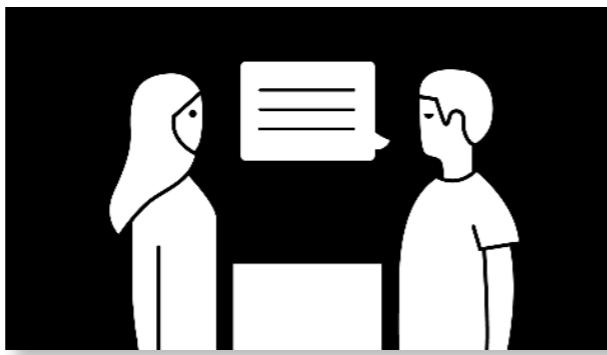
Source: SA Service AB

Working together against hatred and threats

In the past few years, hatred and threats directed at Swedish pharmacy staff have increased. To make it clear that this is not acceptable, no matter what pharmacy company is involved, the sector has joined forces to actively take a stand against all forms of racism, discrimination, hatred and threats. Pharmacies should be perceived as a safe, inclusive environment for customers and staff alike. The joint work includes a sector-wide agreement and a common decal that is displayed in all pharmacies. In addition, the companies will be able to share good examples with each other. During the year, the companies developed a training course in the area, which all employees at

pharmacies will be offered the opportunity to take. The course material was developed by a work group including the Swedish Pharmacists Association and the Unionen trade union.

Each employer has complete responsibility for the pharmacy's staff and the companies have their own policies and strategies for how to deal with hate and threats in the workplace. The sector-wide efforts do not replace this, but are to be seen as a complement and an extra security so that no one can pit companies against each other.



THE PHARMACIES' ASSIGNMENT

The skills available today at the pharmacies are not being utilised to their fullest. There are several situations where pharmacists could further facilitate and improve the use of medicines. Customers' high expectations contribute to pharmacies offering a greater range of goods and services than their social mandate requires.

6. OUR SOCIAL MANDATE

Pharmacies' social mandate is to ensure the safe and correct use of medicines. This is formulated through three main tasks:

- Ensuring that consumers have access to prescribed medicines and goods as soon as possible.
- Providing expert and individually tailored information and advice.
- Implementing and providing information about generic substitutions.

Pharmacies' core tasks

Core task 1 – Access to required medicines and goods

All licensed pharmacies are required to provide all medicines and other products that are included in the benefit scheme when provided via prescription or ordered through the healthcare system. In Sweden a majority of all medicines are provided through the pharmacy channel, as opposed to many other countries, where the healthcare system is responsible for a large proportion of the more unusual medicines. Pharmacies work actively with their stocks to ensure that approximately 93 percent of

all requested medicines will be immediately available for customer purchase, and most others can be ordered for next-day delivery. An ever-increasing amount of medicines are dispensed via e-commerce and delivered within a few hours or a day.

But some medicines cannot be ordered because they are out of stock at the manufacturer, which is an increasing problem in Sweden and the rest of Europe. Pharmacies can often resolve the problem with a substitutable medicine, but they could do more with improved regulations.

Core Task 2 – Individually tailored information and advice

Correct use of medicines is critical for a medical treatment to provide the intended effect. Therefore, pharmacies have an important task to provide individually tailored advice when dispensing and to make sure that each customer knows how to take their medicine.

The WHO estimates that compliance (using medicines as intended) is about 50% in the world's developed countries⁷ and in Sweden alone, the annual costs for care resulting from drug-related morbidity is believed to amount to between SEK 12 and 19 billion⁸. In addition to providing advice in the core task, pharmacies can be a part of the

⁷⁾ https://www.who.int/chp/knowledge/publications/adherence_full_report.pdf

⁸⁾ Gyllesten, H. Economic impact of drug-related morbidity in Sweden. Göteborgs Universitet, 2014



for advice and non-prescription medicine, and purchasing non-prescription medicine somewhere else where staff are not permitted to give advice.

Core Task 3 – Implementing and providing information about generic substitutions

Society sets stringent requirements for the medicines that they finance through the benefits system. In order to keep costs to society down, pharmacies are obligated to make changes when there are equivalent medicines at lower prices – so-called generic medicines.

Since 2009, there has been a special regulation that specifies which generic products pharmacies should use each month. Even if pharmacies save society a lot of money this way, the system increases handling costs for pharmacies because they need to keep different products in stock from month to month. For patients, the constant rotations can lead to them taking the wrong medicine or not taking their medicine at all, as the different names and appearances can be confusing, particularly for elderly patients with numerous medicines. This means that extra time must be spent on advising.

solution to this problem through specially developed pharmaceutical services. In February 2024, TLV presented suggestions as to how the pharmaceutical service Inhalation Guidance can be implemented in all pharmacies in Sweden⁹⁾. In 2023, the pharmacy sector also completed its pilot of the service Pharmacies' Pharmaceutical Counselling, which is now being assessed by Uppsala University, which will report on the patients' compliance with treatment in 2024.

Pharmacy staff play an important role in ensuring correct treatment, both with prescription and non-prescription medicines. This means there is a significant difference between going to a pharmacy



Requirements on pharmacies

In addition to the core tasks, pharmacies face significant requirements – from quality demands to reporting sales and other data to authorities. A pharmacy always has a licence from the Swedish Medical Products Agency and must have approved IT systems that communicate with the Swedish eHealth Agency's systems for electronic prescriptions, the pharmaceutical benefits scheme, etc. A pharmacist must be on site for the pharmacy to be open. Pharmacies must also have a pharmacist who is responsible for the quality system – the self-monitoring programme – which must be in place. All pharmacies are required to provide all medicines that are prescribed within 24 hours, and also all medical devices covered by the benefits scheme. The Medical Products Agency regularly inspects pharmacies and TLV monitors that they follow pricing decisions and the substitution regulations. Because pharmacists are licensed, they are under the supervision of the National Board of Health and Welfare and the Health and Social Care Inspectorate (IVO). In addition to the core tasks, pharmacies must also accept returns of unused medicines, issue Schengen certificates and have a system for payment in instalments for expensive medicines.

The pharmacies' assignment in the future

The pharmacies' assignment has changed throughout history – from being local pharmaceutical manufacturers to checking prescriptions and providing advanced individual advice, both in person and digitally. The development of new, more individualised pharmaceuticals and the changes in the healthcare system create new demands for pharmacies, while technological developments offer new support for pharmacies in their work. Today pharmacists are an underused resource, while at the same time there is a shortage of them. So pharmacists need to spend more of their time on tasks that actually require a pharmacist's skills and less time on administrative tasks. One thing pharmacists should spend more time on is pharmaceutical services that are focused on improving compliance with treatment instructions. Pharmacies can also be a complement to the healthcare system today by providing preventive care such as health services and simple healthcare services such as vaccinations. Finally, pharmacies should be given greater authorisation to switch to other packages or equivalent medicines to manage the problems of shortages. Pharmacies are the natural setting for medicines and expertise about them to reach the public, and will continue to be so in the future.



⁹⁾ <https://www.tlv.se/press/nyheter/arkiv/2024-02-19-tlv-lannar-forslag-om-hur-inhalationsvagledning-kan-inforas-pa-alla-apotek.html>

7. AVAILABILITY OF MEDICINAL PRODUCTS

On the Swedish pharmaceutical market, the pharmaceutical manufacturers have a few large warehouses in central locations in Sweden. The pharmacies have smaller stocks in as many locations as possible. Each pharmacy adapts its local stocks to its unique customer base. In recent years, problems have increased with manufacturers running out of medicines, which has led to shortages.

Pharmaceutical stocks in Sweden

In Sweden, a very high proportion of all medicines go through pharmacies and all pharmacies in Sweden must be able to dispense all medicines. This means that there is the same availability of medicines across the country, but it also poses a challenge for pharmacies. There are medicines that are used by tens of thousands of people and others that are only used by a handful of patients. The manufacturers of medicines have the biggest stocks in a few central locations in Sweden, while pharmacies have smaller stocks in as many locations as possible. The pharmacies receive deliveries every weekday to fill their own stocks as well as orders for individual customers.

Stocks at the manufacturer

The majority of all medicines available in Sweden are in the manufacturers' stocks. They keep these stocks at a distributor, which is also responsible for delivering the medicines to the pharmacies. On average, the manufacturers' stock at the distributors is enough for three to four months. The stock is continuously replenished from the manufacturers' factories, which are usually located outside of Sweden. There are no requirements for how much stock a manufacturer must have in Sweden, and the amount kept in stock may vary between products and over time. The advantage of having large stocks at a small number of distributors is that it is easy to distribute the medicines to pharmacies according to demand without any stock being left over in the 'wrong' place in the distribution chain.

Stocks at pharmacies

The country's 1,405 pharmacies have about 7.5 million packages of prescription medicines in stock, distributed across almost 12,000 different medical products. The average pharmacy has around 5,000 packages in stock, distributed across some 2,300 different medicines. The major online pharmacies have even bigger stocks. The total stock at pharmacies is equivalent to the volume sold in Sweden per month.

Only a few medicines are used by many customers and are thus in stock at all pharmacies – most commonly a medicine is only sold by a small number of pharmacies in Sweden. Each pharmacy adapts its stocks to the customers it has. The goal is for as many customers as possible to get their medicines right at the pharmacy counter and for others not to have to wait longer than to 4 pm the next weekday. It is difficult to achieve a perfect balance between the size of a pharmacy's stocks and what goods should be available on order. If a medicine is not kept in stock, there is a risk that the customer will choose to go to a different pharmacy, but at the same time the pharmacies do not want to be stuck with stocks of leftover medicines that must be destroyed.

Immediate dispensing rate

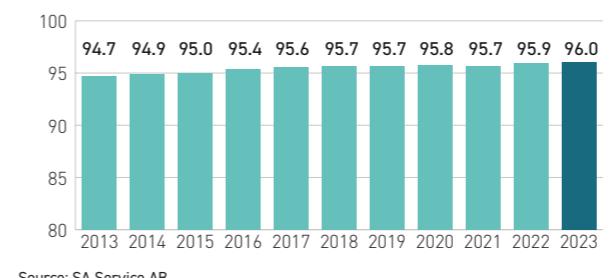
Two surveys have been conducted to find out how many customers receive their medicines immediately from a pharmacy. This is called the immediate dispensing rate and was surveyed by the Swedish Pharmacy Association in 2015 and by TLV in 2019. In the most recent survey, 92.6 percent of the requested prescriptions were dispensed immediately. This was



a decrease from 94.9 percent in 2015. The majority of this reduction was due to the strong increase in the number of medicines that could not be ordered from the manufacturer – from 0.8 percent of all prescriptions to 1.9 percent of all prescriptions. Since then, the number of medicines that pharmacies cannot order has increased even more, which may have affected the immediate dispensing rate even more. In the course of 2024, TLV aims to develop and present a method for measuring the immediate dispensing rate.

Pharmacies also measure what is known as service level, which is the percentage of medicines that can be dispensed immediately, of all medicines that a pharmacy dispenses. The service level has continuously increased over the years, and was 96 percent last year – a continued high rate. The immediate dispensing rate also includes those instances when a customer for some reason chooses not to order the medicine, for example by going to another pharmacy instead, and is therefore somewhat lower than the service level.

Service level



¹⁰ Hammar, T., Mzil, L. & Eiermann, B. Discrepancies in patients' medication lists from pharmacies in Sweden: an interview study before the implementation of the Swedish National Medication List. Int J Clin Pharm (2022). <https://doi.org/10.1007/s11096-022-01480-x>

¹¹ <https://sverigesapoteksforening.se/stort-problem-med-utganga-recept/>

Availability not just about stock levels

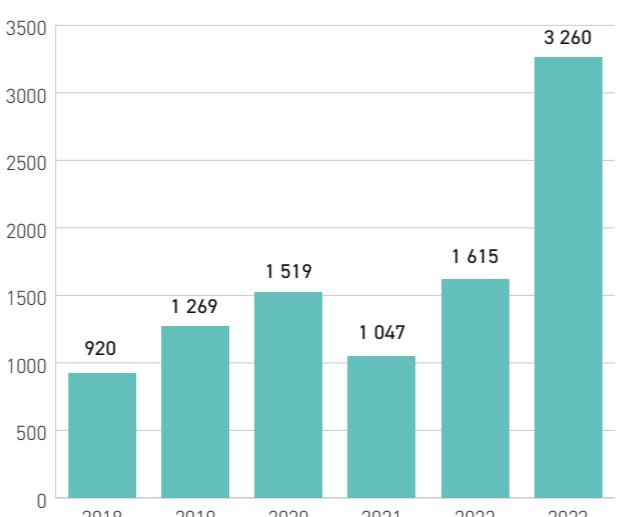
To pick up medicine at a pharmacy, a customer needs a valid prescription. Often, customers lack valid prescriptions when they come to the pharmacies. An academic paper showed that one-third of patients were lacking prescriptions in their list of medicines¹⁰ and a spot check that the Swedish Pharmacy Association did in 2023 found that over 5 percent of prescriptions requested could not be dispensed because there were no repeats remaining on the prescription or the prescription had expired¹¹. If the pharmacies could dispense these prescriptions one more time – an emergency repeat – the patients would get their medicine while waiting for a new appointment with their doctor. This could be an option for patients who have a continuous, stable treatment, but is not permitted under the current system.

Pharmacies can help customers by providing services that remind them when it is time to fill their prescriptions or offering home deliveries when something is not in stock when the customer is in the pharmacy. The important thing is that the customer has their medicine when they need it – not that it is on the pharmacy's shelves. It is always good to visit the pharmacy well before you run out of the medicine at home, if possible. The guideline says to have about a month's supply for emergencies.

Pharmaceutical shortage

In the past few years we have seen increased problems with ‘running out’ of medicines in Sweden, also called shortages. There are various reasons for this, but it is mainly due to production problems at the manufacturers plants or increased demand, i.e. that the manufacturers are having difficulty producing enough of the medicine the patients need. This leads to difficulties for many patients, but is also an extra strain on the healthcare system and pharmacies. For most shortages, there are replacements that pharmacies can switch to. In many situations there is a different strength, package size, preparation form or another medicine with an active ingredient that is similar, but not exactly the same. However, this requires a new prescription. Pharmacists could do a lot more to resolve these situations and the Medical Products Agency has a government assignment to analyze this.

Shortages of pharmaceutical packages, 2018–2023



Source: Medical Products Agency

INTERVIEW WITH A PHARMACIST ON SHORTAGES

Khoshawist Ali is the head of a pharmacy and has many years of experience handling shortages of medicines. Which shortages and the severity of the problem varies over time, but she speaks reassuringly about what pharmacies can do today to help their customers.

‘We at the pharmacy can usually solve the problem. Even if we don’t have the product at our pharmacy, we can check if another pharmacy nearby has it, or one near where the customer lives. If there is a generic substitute, we can usually find one, or another package size.’

There is no single answer to how much time pharmacies spend on handling shortages, Khoshawist says. It helps if they’re given advance information; then she doesn’t have to spend as much time investigating alternatives. They can also check in FASS to see if the

product is available at other pharmacy chains.

‘But we could do more,’ she adds. ‘If we could dispense a different strength – for example, if Levaxin 50 micrograms is backordered, it would be great if I could dispense a package of 25 micrograms and tell the patient to take two, without having to contact the doctor. It would also be useful if we could dispense the smallest package of, say, a patient’s regular blood pressure medicine when there are no repeats left without having to contact the doctor. It would make things so much easier for the customer.’



8. MEDICINES AND SUSTAINABILITY

Sustainability and environmental issues have become increasingly important in the Swedish pharmacy sector. Several companies profile themselves in this area. Compared with the pharmacy sectors in other countries, we in Sweden have made major advances. Today we feel that it is not possible to work with health without also taking a broader responsibility for sustainability.

Environmentally harmful medicines

Medicines include active substances that can sometimes be difficult to break down and harmful when they are released into the natural environment. Today’s sewage treatment plants are not designed to remove all these substances and as a result, pharmaceutical residuals harm other living organisms and animals. Most medicines provide such significant medical benefit that they must be used despite the risks to the environment. This makes it extra important for pharmacists to provide advice and guidance in connection with dispensing medicines, thus contributing to reducing the harm to the environment. Examples of this are the correct use and returning of antibiotics, sex hormones and diclofenac.



Responsible sale of diclofenac

Swedish sewage treatment plants have difficulty breaking down the substance diclofenac, which has a scientifically proven negative effect on the environment and significantly exceeds the limits

set by the Swedish Agency for Marine and Water Management. Despite this, the Medical Products Agency classifies diclofenac gel as non-prescription.

On this basis, there has been a sector-wide agreement since 2018 that all Swedish pharmacies are to inform their customers that diclofenac has a negative effect on the environment and should be used with caution. Since then the sector has chosen to move diclofenac behind the counter and to only sell it after counselling, both in shops and online. Both the Medical Products Agency and a 2023 government inquiry into the supervision of pharmacies, treatment of patient injuries and oversight of OTC medicines ('Treklöverutredningen') proposed that harm to the environment should be a criterion for not selling OTC medicines outside of pharmacies, using diclofenac as an example.

Unused medicines

Unused medicines must be correctly disposed of and incinerated in specially approved facilities. To ensure that this takes place as safely as possible, the public is asked to hand in their unused medicines to pharmacies. By law, all Swedish community pharmacies must accept leftover medicines returned by the public.

All Swedish pharmacies collected a total of approximately 1,400 tonnes of surplus medicine in 2023. Compared with other countries, this is a very high level. This appears in a forthcoming report from the OECD: 'Management of pharmaceutical household waste, OECD 2022 Paris'.

Pharmacies spend both time and money on accepting unused medicines. They are not fully reimbursed for this work; on the contrary, the costs for pharmacies for accepting unused medicine increase every year and now amount to more than SEK 20 million. Furthermore, quite a number of incidents linked to the return of medicine also occur. Often, needles and other hazardous waste are returned to pharmacies even though they are supposed to be returned to municipalities' recycling centres. The municipalities do not always live up to their responsibilities in practice; in fact, most refer to pharmacies being responsible for collection. Therefore, the pharmacies would like to see a clarification of the municipalities' responsibilities

and have initiated a collaboration with Avfall Sverige to formulate potential guidelines for the handling of needles.

The large amount of unused medicine is a problem. One reason that patients have leftover medicines at home is that the pharmaceutical industry does not offer enough starter packs of medicines for patients who are starting out on a new medicine or a new dosage. Many medicines only come in larger packages, when the treatment only calls for a small one. Another reason that patients end up with leftovers is that they do not recognise the medicine. The system of 'product of the month/period' means that patients often receive medicine with an unfamiliar name, shape and colour. This is confusing for many patients. Longer substitution periods in the system would make things easier and create a sense of security for many patients, especially those who have many different medicines.

Välvald – the pharmacies' requirement for responsible manufacturing of medicines

In 2021, Välvald (Well Selected) was launched in the nation's more than 1,400 physical and online pharmacies. It is a symbol that shows which non-prescription medicines meet the pharmacies' requirements for responsible manufacturing.

Välvald was developed because the pharmacies were frustrated at the secrecy in the pharmaceutical industry around the production of medicines. It is widely known that a large proportion of the active substances are made in China and India and that the industry is characterised by long supply chains and confidential agreements. Medicines that make people in Sweden healthy may be harming people, animals and nature on the other side of the world.

Because there is no established sustainability labelling in the pharmaceutical field today, we chose to start that journey ourselves. Välvald's overarching goal is to contribute to more sustainable pharmaceutical production and to be able to help our pharmacy customers to choose over-the-counter medicines based on responsible manufacturing.

The criteria for being a part of Välvald have continuously evolved. At the start, only the overall sustainability work of the pharmaceutical companies was reviewed. Now stringent demands require that the individual products are manufactured with respect for human rights, workers' rights and the



environment, and free from corruption. Verifying documentation is required, showing that these requirements are met throughout the supply chain of the active ingredients.

In our contacts with pharmaceutical companies, we find that several companies work actively with sustainability and climate concerns. Several of the companies that sell over-the-counter medicines in Sweden put a significant amount of time and effort into obtaining the necessary information to meet Välvald's requirements. Several companies have stated that they developed their requirements for suppliers according to the Välvald criteria.

Pharmacy companies' work with sustainability issues

The environment and sustainability are often important profile issues for many pharmacy companies. At the same time, most pharmacies view medicine and sustainability as areas where collaboration is more important than profiling and competition. For example, in 2023 a sector-wide workshop was held in preparation for new, strict legislation on sustainability reporting. An issue that affects all pharmacies is how to do sustainability reporting of the effects of medicines on the surrounding community. Pharmacies have no control over the production, packaging, transport or amount sold of prescription medicines.

9. BUSINESS DEVELOPMENT AT THE PHARMACY COMPANIES

Business is continuously developing in the pharmacy sector. To give an idea of the breadth and initiative of the companies to provide the best possible customer benefit, this chapter presents several examples from 2023.

Kronans Apotek

In autumn 2022, Apoteksgruppen and Kronans Apotek merged into one company under the common brand name Kronans Apotek. The transition of Apoteksgruppens approximately 200 pharmacies into Kronans Apotek began in autumn 2023 and now the majority are re-profiled. With over 500 pharmacies, the company enters 2024 as a single pharmacy chain, with the sector's largest network of bricks-and-mortar shops and online. The focus of its business development has been to be close to customers, whether in person or online.

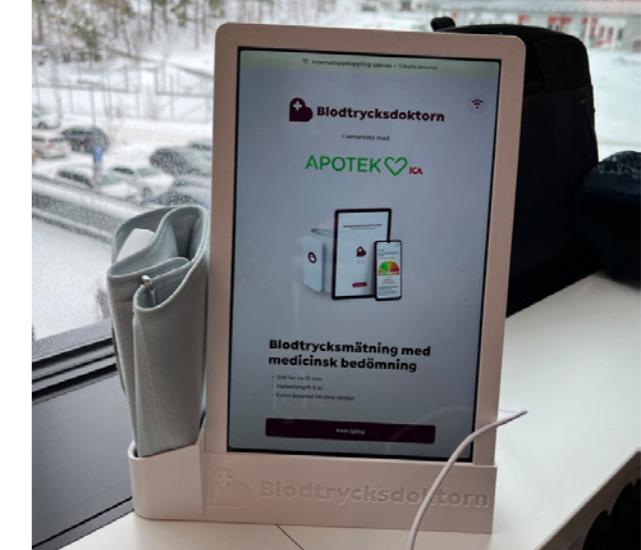


Apotek Hjärtat

In 2023, Apotek Hjärtat and Blodtrycksdoktorn developed a service for blood pressure tests at some 150 pharmacies around the country. With their blood pressure test, customers get digital feedback with medical commentary and a recommendation based

on their reading and the information they provided via the digiphysical test station. The service is recorded by a nurse and the customer can also get an examination and treatment via Blodtrycksdoktorn.

Doz Apotek



Doz Apotek was established as a new pharmacy chain in 2023. The signage was changed from Lloyds at the end of 2022. Doz opened a few pharmacies during the year in collaboration with and in connection to Coop supermarkets. Doz was the first pharmacy operator to introduce digital receipts and has continued to invest in a new e-commerce platform to improve its digital customer offer.





the importance of climate goals and determined effort to achieve them. At the end of 2023, 40 percent of Apoteket's suppliers had joined.

ApoEx

ApoEx is the only pure hospital pharmacy in Sweden, which means that they deliver procured pharmaceuticals and other services for regions' healthcare institutions. During the course of 2023, the company launched a new, modern system under the name ApoSuite. The system has modules for ordering, order preparation, inventory management, dose packaging, manufacturing and preparation.

Apotea

In 2023, Apotea concentrated on doubling the automation of its logistics operation in Morgongåva. One category that increased significantly for Apotea in 2023 was the sale of prescription medicines, and they were able to facilitate the work of the pharmacists and make handling safer by automating parts of the flow of dispensing medicines. In addition, Apotea developed the 'Emergency backpack' in 2023, which it donated to the war-torn Ukraine. The backpacks are worn by military medics so they can quickly provide emergency medical assistance on site at the front.

Apoteket AB

Apoteket AB has set climate goals approved by the Science Based Targets initiative (SBTi) and is working to reduce its emissions, in part by encouraging its suppliers to set scientific climate goals. Suppliers that join SBTi are added to Apoteket's green list, which has been shown to be a positive force for highlighting



10. ABOUT THE SWEDISH PHARMACY ASSOCIATION

The Swedish Pharmacy Association represents the companies that conduct pharmacy operations in Sweden. The Association is an industry organisation. Our mission is to strive for stable and predictable conditions for pharmacies. Through our members, we represent essentially all community and hospital pharmacies in Sweden.

The operations are carried out through the Swedish Pharmacy Association and its wholly owned service company SA Service AB. The service company works, among other things, with legal and other advice in the pharmacy field, company-oriented projects and certain advertising and marketing issues the industry has in common. SA Service also provides monthly sales statistics as well as up-to-date information and external monitoring of the pharmacy market and prepares material regarding the pharmacy sector.

At the end of 2023, the Swedish Pharmacy Association had nine members who jointly operated close to 100 percent of the country's 1,405 community pharmacies and 7 online pharmacies as well as 27 hospital pharmacies. One of the members of the association is the Swedish Independent

Pharmacy Operators' Association (Sveriges Oberoende Apoteksaktörers Förening, SOAF), which organises about 45 independent pharmacy entrepreneurs. This means that we represent almost all pharmacies in Sweden – from the country's largest chains to small individually run pharmacies.

As an industry association, it is important for us to participate in the debate and show pharmacies' benefits and potential for society. One of our most important tasks, therefore, is to be the sector's voice in the outside world and help to increase knowledge of the sector and its issues.

The Swedish Pharmacy Association is a consultation body for the pharmacy market. We represent the industry vis-à-vis politicians and decision makers, authorities and the Swedish Government Offices as well as other trade associations. Particularly important issues in the sector's relations with the surrounding world are promoting high quality, good patient safety, good economic conditions, high-quality pharmaceutical training programmes and a high level of competency within the sector.



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