

An Industry Observer's Perspective on Cost Containment and Procurement of Generics

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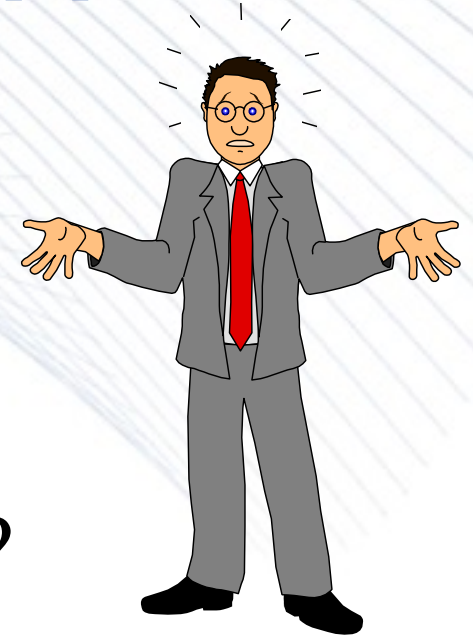


An Observer's Perspective

- **Generics** – part of the problem or part of the answer?
- EU Generic penetration comparisons
- EU Generic pricing comparisons
- Generics in other regions
- What does a “successful” generic procurement programme look like?

Generics – part of the problem or part of the answer?

- Here is an interesting question
- Are generics part of the answer?
.....or part of the problem?
- The answer is obvious.....isn't it?
- Possibly not to all procurement bodies
- Another question – if generics are part of the answer, why do many procurement bodies squeeze the prices so tightly?

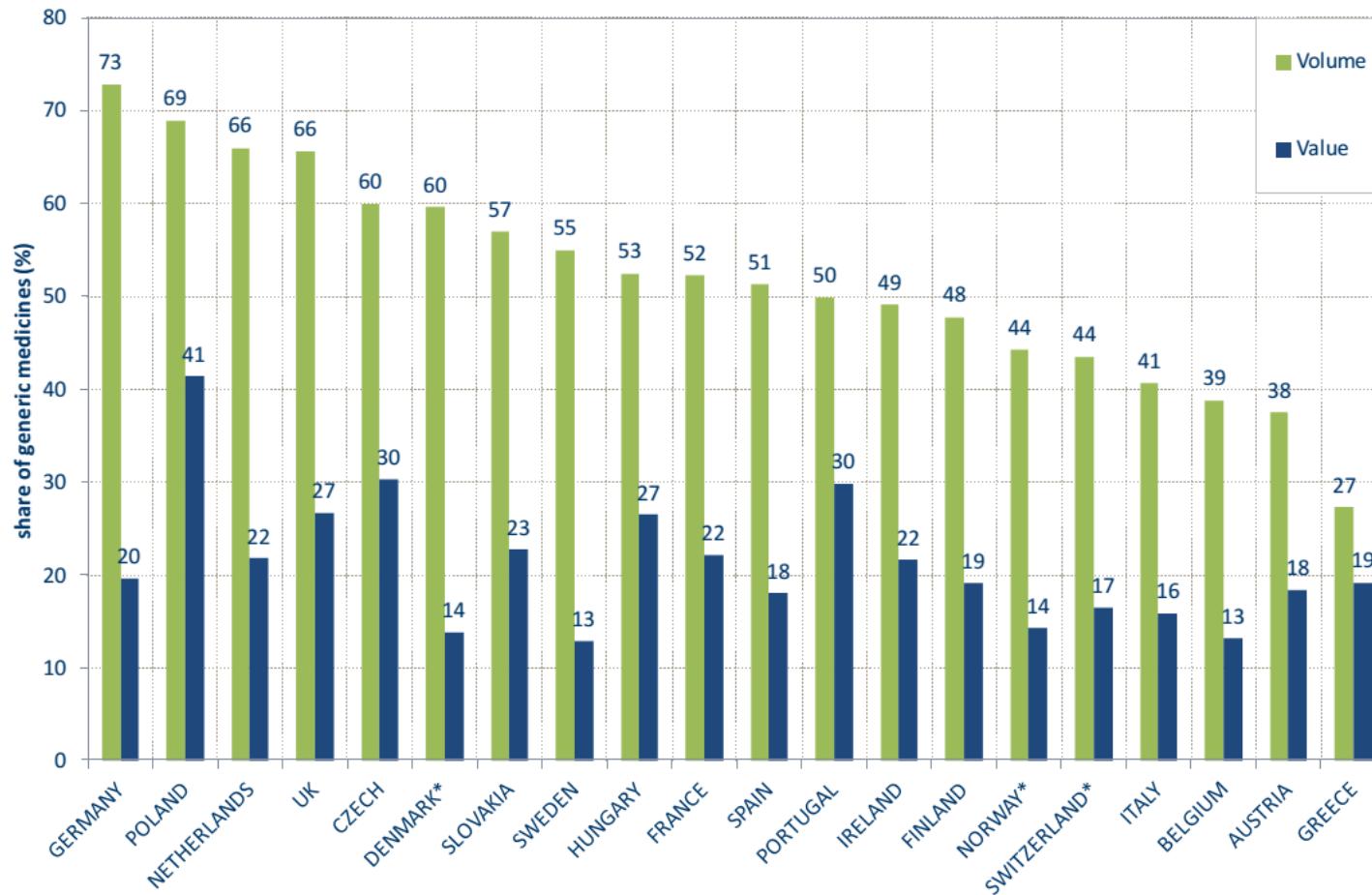


Generics – the problem

- **Here is a view of the problem**
- Most governments have budget problems
- Cutting healthcare spend is controversial...
.....but cutting pharmaceutical company profits is not
- Thus, governments attack medicine prices, but they do it in an indiscriminate manner
- And generics get hit in the fallout

EU Generic penetration comparisons

Figure 2: Share of generics in the pharmaceutical market in European countries, 2014



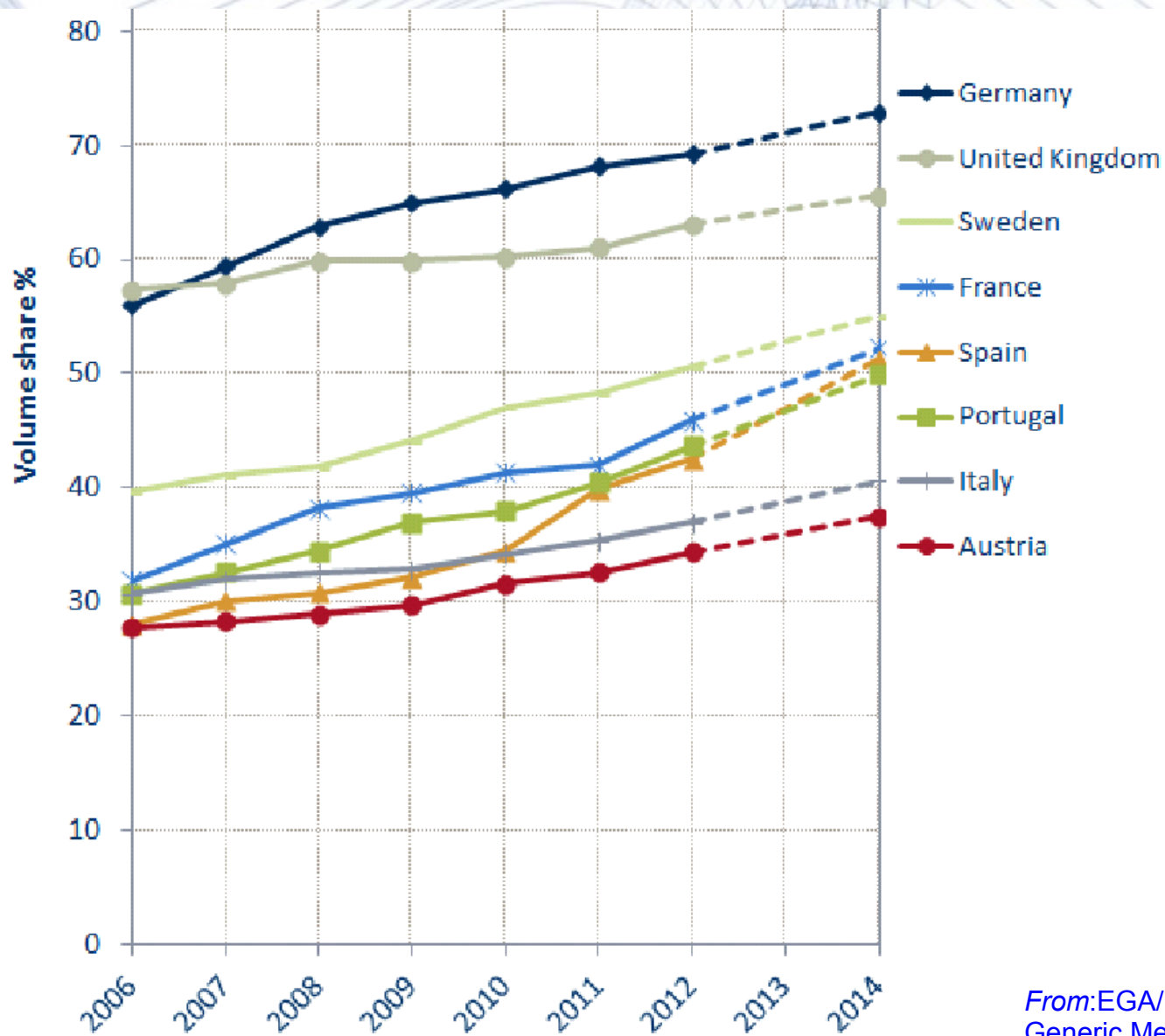
Source: IGES based on data derived from the IMS Health MIDAS database

From: EGA/IGES study
"Value of Generic
Medicines" Oct 2015

EU Generic penetration – why the differences?

- If any government wants to increase generic use, there are three main barriers:
 - **The doctor** – *why should I* prescribe a generic and not use my favourite brands?
 - **The pharmacist** – *why should I* dispense a cheap generic with a lower profit margin for me?
 - **The patient** – *why should I* have blue tablets this week when the red ones work better ?
- And the answer – incentives and education – have only partly succeeded in some places

EU market share growth

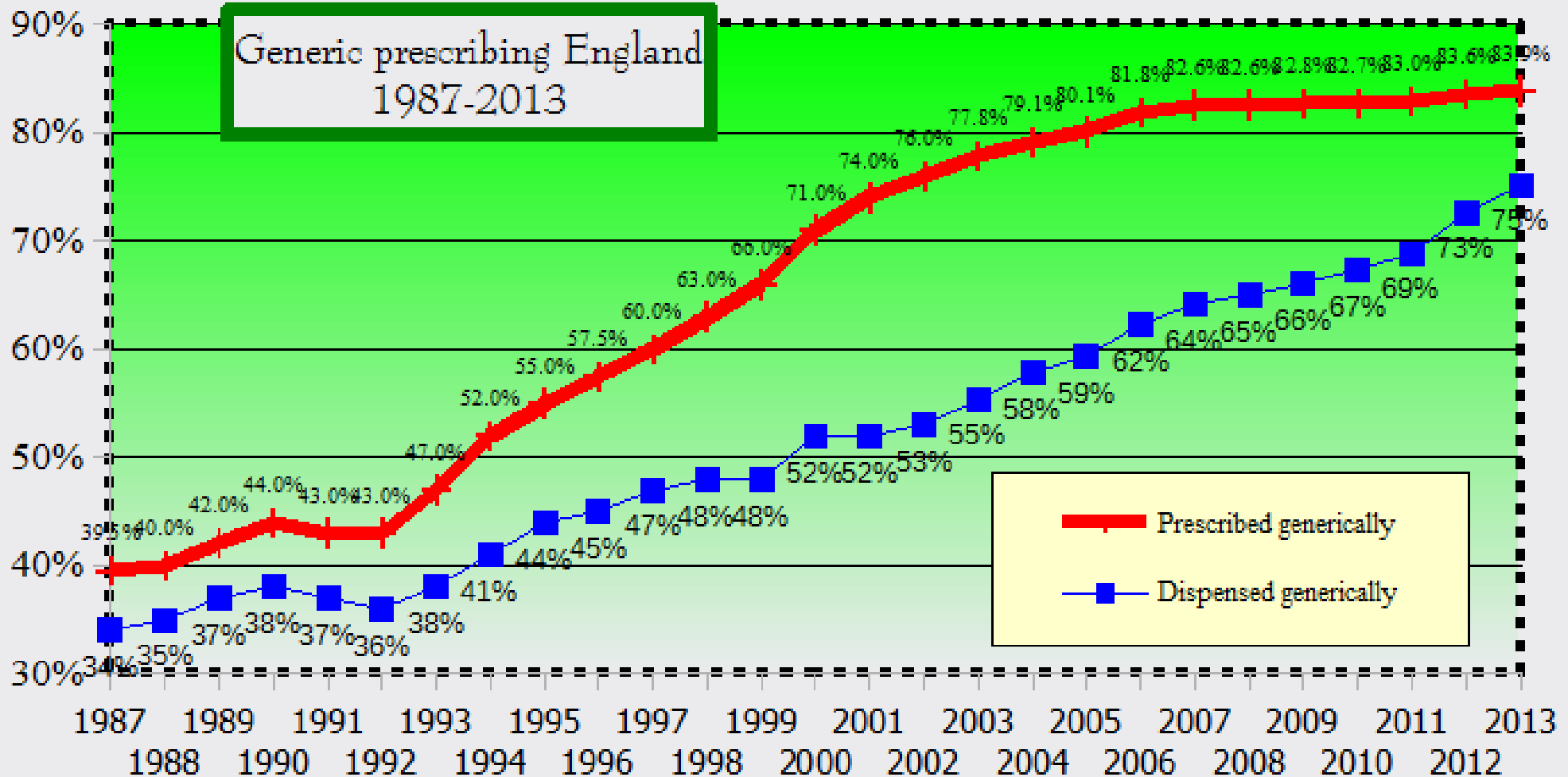


From: EGA/IGES study "Value of Generic Medicines" Oct 2015

EU Generic penetration – why the differences?

- Every sensible government or healthcare body recognises the need for greater generic penetration
- But not all governments are sensible.....
- Some still therefore treat generics as part of the problem rather than part of the solution
- **The result** – low reference prices or mandatory heavy generic discounts
- So where are the incentives in this scenario?

UK market as an example



Source: UK Government Statistical Office -
Bulletin 2014

EU Generic pricing comparison

Compare price for **Simvastatin** 40mg x 30 tabs in:-

Country	Pack	Price	€ per 30 units
Germany	SimvaHEXAL® 40mg 30 Filmtbl.	€14.48	€14.48
Belgium	Simvastatine Teva 40mg	€11.07	€11.07
Estonia	Simvastatin Accord Tbl 40mg N30	€7.60	€7.60
Spain	SIMVASTATINA TARBIS Comp. recub. 40 mg x 28	€2.17	€2.33

India	Simvofix (40 mg) x 10 Tablets	INR 75.00	€3.02
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Where is the logic in Spain imposing lower generic prices than India?

Generics in other regions

• Japan

- “In a bid to increase uptake of more cost-effective drugs and to curb healthcare spending, the Japanese Government has put forward plans to price generics at half the cost of brand-name drugs from April 2016, a reduction of 10%.”
- This follows a target already set of 80% for generics prescribing by March 2021. **It currently stands at 50%** but is expected to reach 70% in 2017. The drive to reduce healthcare spend comes against the backdrop of an ageing population in Japan that is requiring increased medical care.

Source: - *GaBI online 29th Jan 2016*

<http://www.gabionline.net/Generics/Research/Prescribing-and-dispensing-generics-in-Japan>

Generics in other regions

• Japan

- Drug costs in Japan have been found to be much greater than the average of industrialized nations, which means that too many wasteful prescriptions are written for pharmaceuticals. **This has been attributed to attempts by medical institutions to increase revenues by prescribing unnecessary medicines to patients**
- A study by Masayuki Yokoi and Takao Tashiro used publicly available data to examine the effect of the separation of dispensing and prescribing medicines between pharmacists in pharmacies and doctors in medical institutions (the separation system)
-expansion of the separation system was effective in reducing medicine costs, except in the case of external (=topical) medicines.

Source: - Yokoi M, Tashiro T. Prescription, dispensation, and generic medicine replacement ratios: influence on Japanese medicine costs. Glob J Health Sci. 2015;8(1):45590.

Japan

Share by volume

					Index 1	Index 2
	Generics	Off-patent Originator Medicines	On-patent Originator Medicines	Others	Generic share of All Rx Medicines	Generic share of the Market Replaceable by Generics
Sep. 2005	16.8%	34.9%	21.4%	27.0%	16.8%	32.5%
Sep. 2007	18.7%	34.9%	21.6%	24.8%	18.7%	34.9%
Sep. 2009	20.2%	36.3%	18.9%	24.6%	20.2%	35.9%
Sep. 2011	22.8%	34.3%	19.1%	23.9%	22.8%	39.9%
Sep. 2013	27.6%	31.2%	18.2%	23.0%	27.6%	46.9%

Source: Japan Generic Medicines Association /
MHLW Drug Price Survey

Japan

Generic Share (%) by JGA and IMS Japan.

Annual Trend of Generic Share (%) in All Rx Medicines by volume and by value

	Share by volume	Share by value
FY 2003	16.4%	5.2%
FY 2004	16.8%	5.2%
FY 2005	17.1%	5.1%
FY 2006	16.9%	5.7%
FY 2007	17.2%	6.2%
FY 2008	17.6%	6.8%
FY 2009	20.3%	8.5%
FY 2010	23.0%	9.4%
FY 2011	24.7%	9.6%
FY 2012	25.8%	10.5%

EU registration + pricing delays

- Certain countries make matters worse by being slow to implement the national part of a DCP procedure
- After this they put generics through a slow and bureaucratic price approval process...
-and then a slow reimbursement process
- Why do they not try to get their generics on to the market as quickly as possible?
- Whatever happened to EC proposals for faster reimbursement for generics in Europe?

What does a “successful” generic procurement programme look like?

- (1) It does ensure price competition between suppliers
- (2) It does allow a manageable time for delivery after awarding a tender
- (3) It does *not* award contracts on the basis of price alone
- (4) It does *not* give the entire order for a molecule to just one supplier
- (5) It does ensure that the industry stays healthy with multiple suppliers

Germany – a good example?

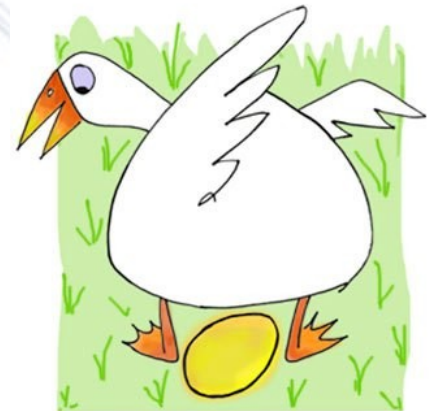
Erfolgreiche Bieter/Bietergemeinschaften (Tender XII bis XIV)

Vertragspartner	verwendetes Kürzel	Anzahl Einzelzuschläge
1 A Pharma GmbH	1 A Pharma	74
AAA-Pharma GmbH	AAA-Pharma	22
acis Arzneimittel GmbH	acis	3
Actavis Deutschland GmbH & Co. KG	Actavis	48
ALIUD PHARMA GmbH	Aliud Pharma	321
ALIUD/STADapharm GbR	ALIUD/STADapharm	8
APOGEPHA Arzneimittel GmbH	APOGEPHA	5
Aristo Pharma GmbH	Aristo Pharma	103
AstraZeneca GmbH	AstraZeneca	8
Aurobindo Pharma GmbH	Aurobindo	64
axcount Generika GmbH	axcount	24
Basics GmbH	Basics	82
betapharm Arzneimittel GmbH	betapharm	14
ALIUD/Pfizer GbR	BG Aliud/Pfizer	8
BG ALIUD/Winthrop GbR	BG ALIUD/Winthrop	11
BG DR.KADE/BESINS AOK GbR	BG DR.KADE/BESINS	8
BG Heumann / Abbott GbR	BG Heum./Abbott	5
BG Heumann / Aliud GbR	BG Heumann/Aliud	2
BG Heumann / MEDA GbR	BG Heum./MEDA	4
BG InfectoPharm / Chiesi / MEDA GbR	BG Infecto/Chiesi/MEDA	8
BG mibe GmbH Arzneimittel; acis Arzneimittel GmbH	BG mibe/acis	7
BG ratiopharm/TEVA Gruppe GbR (AbZ, ratiopharm, TEVA)	BG TEVA-Gruppe	430
BG Winthrop/Actavis	BG Winthrop/Actavis	3
BG Zentiva/Sanofi-Aventis GbR	BG Zentiva/Sanofi	234
BG Winthrop/Heumann	BG Winthrop/Heumann	8
Bietergemeinschaft Aurobindo Pharma GmbH/ Glenmark Arzneimittel GmbH GbR	BG Aurobindo/Glenmark	8
Boehringer Ingelheim Pharma GmbH & Co. KG	Boehringer Ingelheim	16
cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH	cell Pharm	16
CNP Pharma GmbH	CNP Pharma	8
Dermapharm AG	Dermapharm	8
Desitin Arzneimittel GmbH	Desitin	8

Source: Arzneimittelrabattverträge der AOK, Tender XII- XIV, September 2015

Procurement – the Golden Goose

- Remember Aesop's fable about the Goose that laid the Golden Eggs?
- A farmer and his wife found a goose that laid a golden egg every day
- They thought that they would get richer if they killed the goose.....
- Will some healthcare providers do the same with their generic goose?



Thank you

If you think of any questions later, please
contact me:-

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