Price falls are following a familiar pattern

Prices of generics after their UK launch have maintained a remarkably similar decay pattern over the past decade, according to recent research by WaveData. Price falls of some of the more recent launches may have seemed steeper – to reach lower prices relative to the brand more quickly – but the overall picture has remained similar for most of the bigger-selling ingredients.

"Faster decay occurs in products where there are more licence players, higher initial brand value and greater reductions in reimbursement price," comments WaveData's managing director, Charles Joynson. Noting that 'stabilisation' prices have not really altered, he adds: "Over the years, we have done several projects to forecast generic prices, and the launch year made very little difference to the statistics."

Neither, he continues, did introducing category M into the Drug Tariff in April 2005 change the way the statistics work. Before category M, independent pharmacists and dispensing doctors were reimbursed according to generics price lists – which they still are for category A products – but now the vast majority of generics are reimbursed according to actual volume-weighted trade prices, plus an uplift to provide a dispensing margin.

Figure 1 provides a good illustration. The price decays of various 'fast-moving' generic products have been plotted by comparing their average monthly trade prices after launch with the trade price of their equivalent brand in the month before launch. The shapes of the curves are remarkably uniform, despite generic launch dates that vary between 2002 and late-2007 and different Drug Tariff classifications.

Some of the newer generics, however, have had the fastest and deepest price decays. Packs of 60 risperidone 2mg tablets, for example, were launched in December 2007 and 29 months later their average trade price is just 2% of the brand price. It reached 10% after only six months. Packs of 30 ondansetron 4mg tablets, in contrast, were launched in July 2006 and 46 months later have only just fallen to 10% of the brand price; yet 28-tablet packs of simvastatin 20mg were launched in May 2003 and fell to 10% of the brand price within 11 months.

Not all 'fast movers', however, have behaved the same, according to Joynson, who has put the exceptions into their own groups. Figure 2 shows delayed price erosion, when the brand originator authorised a single generic. Ivax launched 30-tablet packs of paroxetine 20mg in January 2002, but Mylan – Generics UK at the time – did not launch until June 2002. "In the case of citalopram, Lundbeck licensed Actavis to produce an authorised generic, which appeared in February 2002," notes Joynson. "Mylan launched a month later in March, but was not very active, and the market only began to take off in 2004."

Figure 3 shows products that have exhibited what Joynson calls "high stabilisation". He believes this is because the market value has changed and some manufacturers have lost interest. "In the case of fosinopril 20mg, Actavis, Apotex, Mylan and Teva have all had product, but only Teva seems to be still active in the market today."

Price 'bounces', as shown in Figure 4, have been remarked upon before. Joynson speculates there is a sourcing problem with the active pharmaceutical ingredient (API). "As the price falls, licence holders withdraw, which probably means there are only a few API suppliers." G

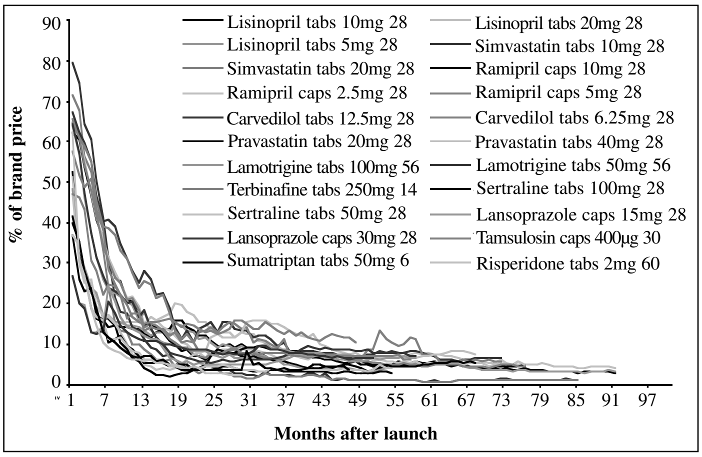

Figure 1: Average monthly generic price erosion compared with the equivalent brand price in the month before generic launch (Source – WaveData)

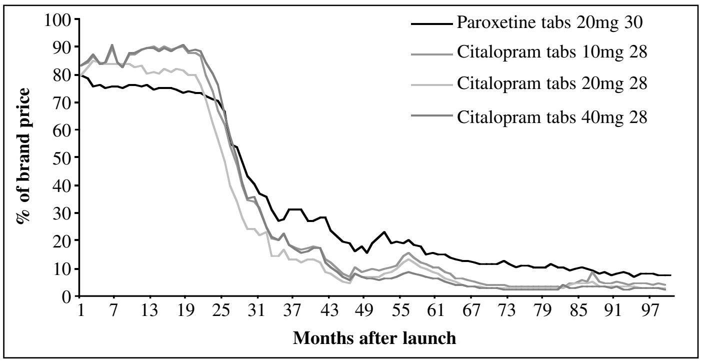

Figure 2: Average monthly generic price erosion that has been delayed as a result of an authorised generic (Source – WaveData)

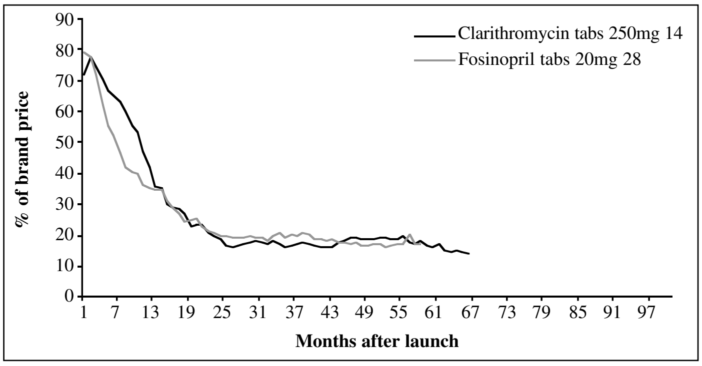

Figure 3: Average monthly generic price erosion that has stabilised at a higher price that might otherwise have been expected (Source – WaveData)

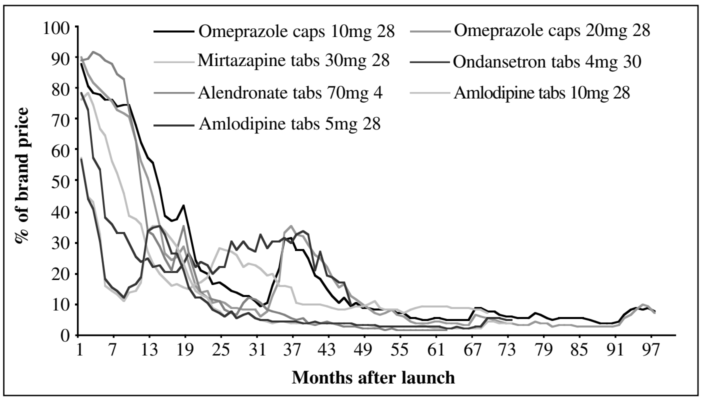

Figure 4: Average monthly generic price erosion that has featured price 'bounces' over time, possibly because of API sourcing issues (Source – WaveData)