

Drug Tariff falls not matched by prices

Drug Tariff prices in England and Wales for the relatively new generics, pantoprazole and topiramate, fell by up to three-quarters on 1 April as the products were moved from category A to category M of the quarterly reimbursement list. Based on the weighted list prices of Actavis and Teva, as well as full-line wholesalers AAH and Alliance Healthcare, category A prices are higher than those in category M. This is compiled from actual trade prices, suitably weighted to reflect sales volumes and then uplifted to introduce a dispensing margin.

Actual prices paid by independent pharmacists and dispensing doctors for both generics had been drifting down since their launches in May 2009, in the case of pantoprazole, and October 2009 for topiramate. Average prices have fallen in April to all-time lows, but not at a faster rate so far than would have been expected without the tariff change (see Figures 1 and 2).

Looking at their brand originators' trade prices, Nycomed's Protium has now been withdrawn from the UK market in tablet form, but in March the generics discount was 78% on average and 94% for the lowest price available. Topiramate's discount on Janssen-Cilag's Topamax was typically 65% on average and 94% on the lowest price.

Their category A list prices had been tracking the actual price falls. But with the dramatic change to category M, their reimbursement prices have been slashed to little more than their average prices, cutting pharmacists' dispensing margins in turn.

It's still early days, but it seems pharmacists' dispensing margins may have been slashed, but generics suppliers are not prepared to follow suit with their prices. As Charles Joynson, WaveData's managing director, points out, although the two generics are relatively new, their prices have already fallen some distance.

Pharmacists in England and Wales are now being rewarded with £2.66 (US\$4.10) for dispensing 28-tablet packs of pantoprazole 20mg, which is a 70% decrease from the £8.76 they were getting in March. Similarly, they are getting £5.55 for dispensing 60-tablet packs of topiramate 25mg compared with £18.69 a month ago, also a cut of 70%.

In terms of their dispensing margin for the pantoprazole product, this has fallen from an average of 71% in March – peaking at 92% if they shopped around for the best deal – to just 21% on average today. In actual terms, the margin has gone from £6.18 profit on each transaction to only £0.57. A profit margin of 82% is possible, however, if pharmacists buy from the supplier which has cut the lowest price from £0.68 last month to just £0.49 per pack in early April.

March's dispensing margin for 60-tablet packs of topiramate 25mg was 64% on average – peaking at 94% – but has since fallen to just 17%. In actual terms, this has meant a profit fall from £11.89 on average to only £0.96. This can be boosted to a 79% profit margin if pharmacists can find the best deal on offer of £1.14, but this price has not altered from previous months in response to the tariff changes.

Noting the prices of both pantoprazole and topiramate in March – already low compared with their brand equivalents – Joynson observes that large Drug Tariff reductions can prompt the market to follow suit, such as for 100-capsule packs of gabapentin 300mg (see Figure 3).

What can happen – especially when there are limited active pharmaceutical ingredient (API) suppliers – is a price 'bounce'. Suppliers hit their cost of goods and withdraw from the market, only to return when prices have risen. This is what happened with gabapentin. **G**

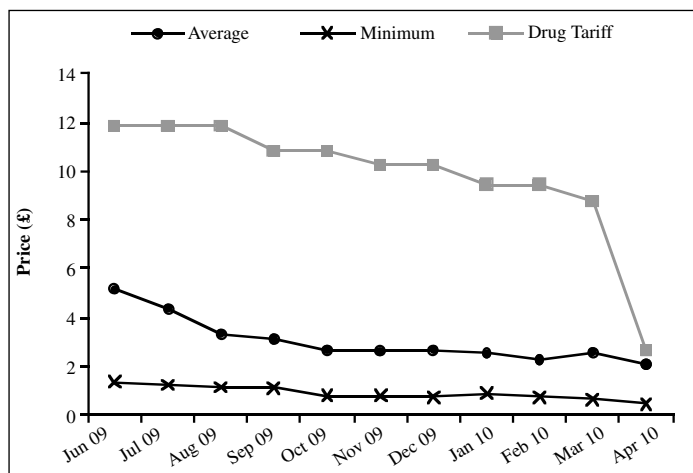


Figure 1: Monthly average and minimum prices for 28-tablet packs of pantoprazole 20mg since launch compared with Drug Tariff prices (Source – WaveData)

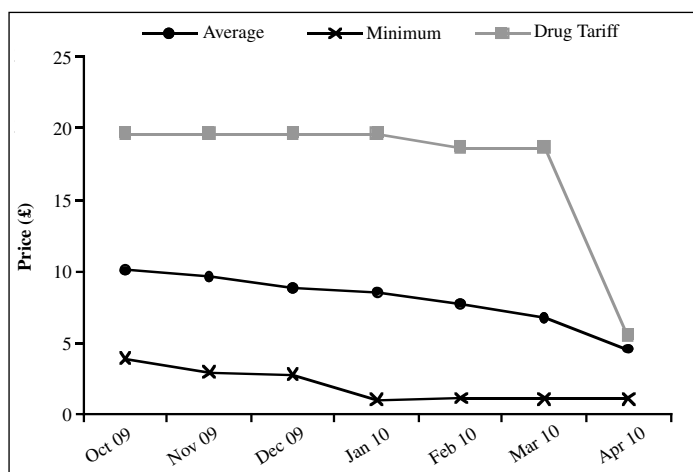


Figure 2: Monthly average and minimum prices for 60-tablet packs of topiramate 25mg since launch compared with Drug Tariff prices (Source – WaveData)

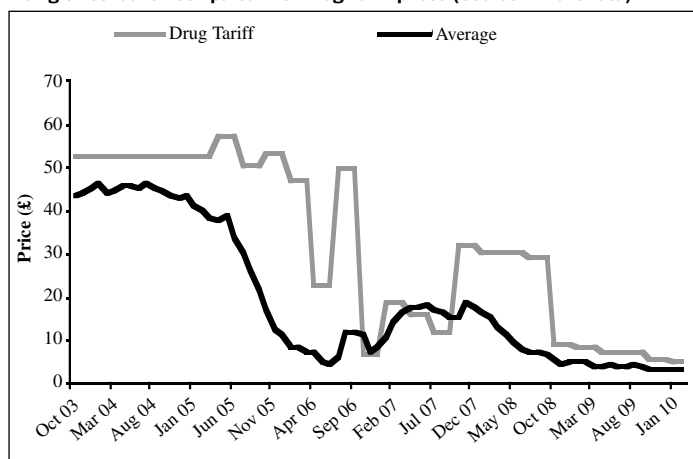


Figure 3: Monthly average prices for 100-capsule packs of gabapentin 300mg compared with Drug Tariff reimbursement prices (Source – WaveData)

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