

Category M switches can affect prices

January 2012 saw the move of olanzapine from category C of the UK's Drug Tariff of pharmacy reimbursement prices for generics to category M. The effect was dramatic. Overnight, pharmacists had their reimbursement for dispensing the schizophrenia treatment slashed from the brand's trade price of £87.40 (US\$138.69) for 28-tablet packs of olanzapine 10mg to just £8.81.

Category C of the Drug Tariff contains drugs which are not readily available as generics and had been the home of olanzapine since it was launched last September. Average monthly prices of £14.53 immediately after launch – and a minimum price of just £4.36 – recorded by independent pharmacists, however, rather belied olanzapine's initial categorisation (see Figure 1). Charles Joynson, managing director of WaveData, comments that most switches to category M occurring after the first few months of a product's life result in little disturbance of the pre-existing price trend in the marketplace. This was certainly the case for olanzapine, over which at least five suppliers were competing. Joynson says the same also applies to the category M moves of finasteride, risedronate and risperidone, among others.

By the time of olanzapine's transfer to category M – which is based on actual market prices – the average price of the 10mg strength had fallen to £3.29, but it could be obtained for just £2.00. The former represented a discount to the brand of 96%, while the lowest price was a 98% discount, both only three months after launch.

In contrast, moving topiramate to category M on 1 April 2010 after its launch in September 2009 did appear to affect the product's market price. Prices that had been gently falling definitely dropped more suddenly as a result of the switch (see Figure 2). Topiramate differed from olanzapine in that the switch was from category A rather than category C. In March 2010, when the switch was announced, the average price of 60-tablet packs of topiramate 200mg was £40.37, but in April after the switch it almost halved to £21.57. It could be argued that putting newly-launched generics into category A, which is for drugs that are readily available and contains prices based on those listed by Teva and Actavis, has the potential artificially to maintain the market prices of these generics at a higher level.

Joynson remarks that as a general rule high-priced products suffer greater price erosion after a change to category M than low-priced products. This seems to be borne out by the recent examples of clopidogrel, losartan, pantoprazole and pramipexole. Like olanzapine, all were category C to category M switches. In the case of losartan, the change happened on 1 July 2010, four months after launch at the beginning of March (see Figure 3).

"In these examples, the switch marks a transition from the rapid-decline phase to the normal levelling off," he comments. "The price-decline curve continues to follow the same trajectory, with the rate of decline continuing to slow after the change to category M."

However, Joynson draws attention to another category A to category M switch, that of desmopressin 0.2mg (see Figure 4). The longstanding category A product was switched to category M at the beginning of 2011. "High prices appear to have been forced down by the introduction of category M," Joynson notes.

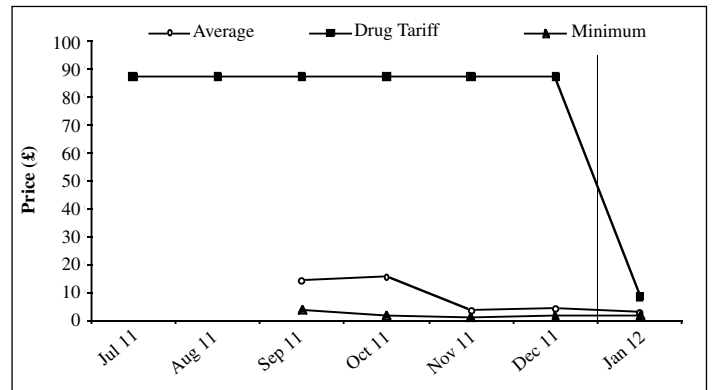


Figure 1: Minimum and average market prices for 28-tablet packs of olanzapine 10mg from launch until its switch to category M in January (Source – WaveData)

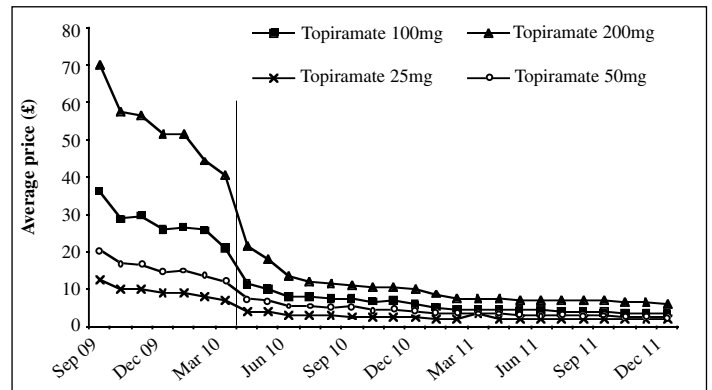


Figure 2: Average market prices for different strengths of topiramate from generic launch, showing a change at the switch to category M (Source – WaveData)

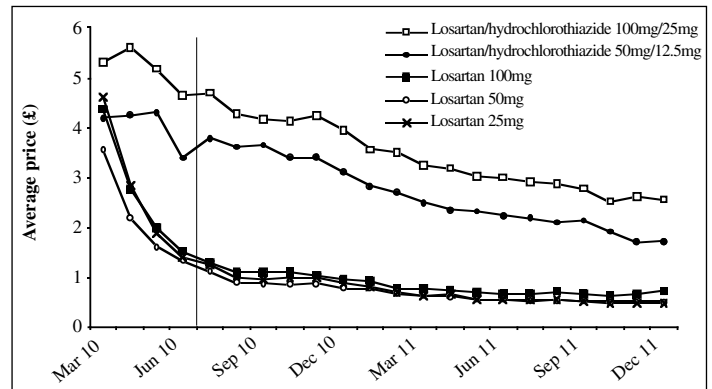


Figure 3: Average market prices for 28-tablet packs of losartan from generic launch to the present via a switch to category M (Source – WaveData)

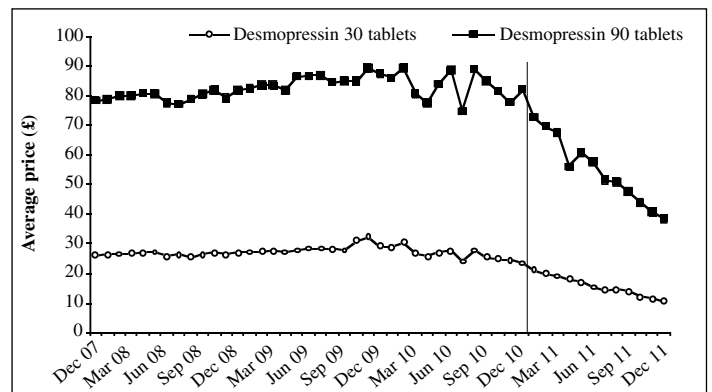


Figure 4: Average market prices for desmopressin 0.2mg tablets, showing a change at the switch to category M (Source – WaveData)

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