



# Atorvastatin takes the plunge

Blockbuster drug Lipitor is finally off patent – **James Bloodworth** investigates how the expected atorvastatin price drop of 90 per cent will affect your pharmacy

The day has finally arrived. After much anticipation, a four-month legal battle and warnings of pharmacies going to the wall, “one of the biggest generics opportunities ever” (according to Actavis) is here – atorvastatin has come off patent.

Forecasts for what the generic version of Pfizer's blockbuster drug Lipitor could save the NHS range from £250 million to £350m a year. And what that could mean for the pharmacy businesses that dispense it is being similarly debated.

Last year Lipitor cost the NHS in England more than £310m, according to data from the NHS Information Centre – just over £27 for each of the 11.4 million items dispensed by community pharmacies. And what all parties agree on is that atorvastatin's plunge off the patent cliff will reduce this cost significantly.

Pharmaceutical data analyst Wavedata estimates the saving to the NHS will be in the region of £250m to £290m (see The atorvastatin price plunge predicted, right); generics manufacturer Teva thinks bigger. “We estimate that the NHS spends more than £400m a year on dispensing Lipitor to patients,” says a Teva spokesperson, “and over the next year the patent expiry could lead to an annual saving of around £350m.”

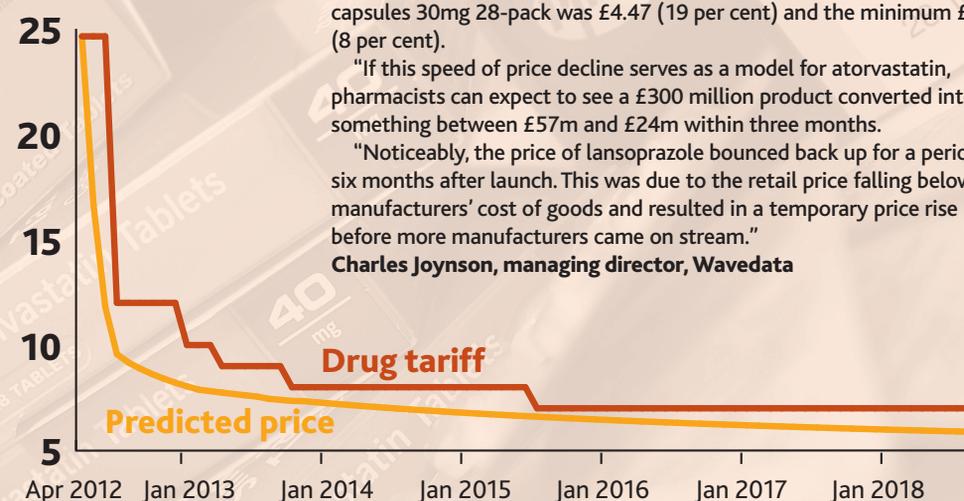
Whoever turns out to be closest to the actual figure, it's certainly good news for the NHS drugs bill, as Warwick Smith points out. “These savings allow the NHS to spend money on new technologies and drugs while encouraging the pharmaceutical sector to continue investment in research and drug discovery,” says the director general of the British Generics Manufacturers Association (BGMA).

But it also certainly amounts to an awful lot of money coming off the average pharmacy's turnover, as contractors and representatives are quick to point out. “That's the best part of £300m coming off UK pharmacy PLC,” says contractor Graham Phillips. It could reduce turnover by nearly £30,000 for each of the roughly 10,000 pharmacies in

## The atorvastatin price plunge predicted

### Atorvastatin tabs 20mg 28-pack price prediction

Price (£)



“The launch of lansoprazole in 2006 saw the average retail price drop from £20.79 (88 per cent of the [NHS] list price of £23.63) to an average of £6.35 (just 27 per cent of the [NHS] list price) in the month of launch. However, the minimum price available in the retail market was £2.60.

Three months after launch, the average retail price for lansoprazole capsules 30mg 28-pack was £4.47 (19 per cent) and the minimum £1.99 (8 per cent).

“If this speed of price decline serves as a model for atorvastatin, pharmacists can expect to see a £300 million product converted into something between £57m and £24m within three months.

“Noticeably, the price of lansoprazole bounced back up for a period six months after launch. This was due to the retail price falling below manufacturers' cost of goods and resulted in a temporary price rise before more manufacturers came on stream.”

**Charles Joynson, managing director, Wavedata**

England, he points out. And both Numark and PSNC warn contractors to keep an eye on their accounts for this reason. “We advise members to keep up to date with all products coming off patent and reduce brand stockholding accordingly,” says Numark director of commercial operations Raj Nutan.

But PSNC maintains that the fall in turnover will have “no effective impact on profit because of the operation of pharmacy contract and the margins survey”, as head of finance Mike Dent explains.

Mr Phillips disputes this. However high margins remain, continually reducing turnover will lead to the destruction of net profits, he says. “It's collapsing our turnover and if that value decreases [by too much] it destroys our gross profits [whatever the margins],” Mr Phillips argues.

“We'll all try to buy as well as we can, but the better we buy the more the government takes back,” he adds – the controversial category M mechanism rearing its head once more.

Atorvastatin is expected to move to category M in June, as the DH seeks to manage the reimbursement prices for generics. “Historically, it has taken a few months for drug tariff prices to be readjusted following a new generic launch – this has led to major adjustments in clawback that has had an impact on pharmacies' cash flow,” says Mr Nutan.

“However, with the launch of a high volume medicine such as atorvastatin, indications are that the drug tariff price will be adjusted as soon as possible after the launch.”

While the category M price remains to be announced, Actavis has launched its generic atorvastatin at prices ranging from £1.30 to £4.23 for a 28-pack, depending on strength – between 5 and 15 per cent of the cost to the NHS pre-patent expiry. And Dorset contractor Mike Hewitson expects the category M price reduction to be “very aggressive”. But he thinks this is justified in order to prevent future swings in income caused by category

M clawbacks. “It will be good for all of us because the last thing any contractor wants is huge variations in payments,” the Beaminster Pharmacy owner says.

But pharmacists should continue to be ready for future clawbacks, PSNC chief executive Sue Sharpe warns. “As volume shifts to generic alternatives, contractors are likely to experience a fall in average item value and thus turnover,” she explains. “Higher margins are likely in the short term... this may well prompt adjustments in category M prices in later periods for which contractors should be prepared.”

With the ultimate impact of generic atorvastatin on pharmacy businesses yet to become clear, Mr Hewitson points out the irony that it is the efficiency of pharmacy purchasing that reduces the cost of generics to the NHS.

“Ultimately it demonstrates the value of pharmacists in driving the price down. Without the work of individual contractors, none of this money would be saved.”