

Erosion rate is reimbursement related

Price erosion immediately after generic launch in the UK seems to depend on the Drug Tariff reimbursement category into which the new generic is placed. This is not just a result of the selection criteria used to categorise products; however, the evidence points to the category itself also sharing some responsibility.

Product availability and likely demand are two of the factors that determine the category into which new generics are placed by the authorities. It is not surprising, therefore, that similar groups should exhibit similar price erosion. However, categorising generics in this way to determine the reimbursement prices paid to pharmacists and dispensing doctors also seems to have a 'feedback' effect on actual trade prices in the marketplace. This is not as obvious as it sounds. Trade prices of generics in the UK are determined by market demand and availability, which in theory are independent of what the authorities decide to reimburse pharmacists for dispensing the products.

That such categories influence generic price decay is evidenced by a 'halo effect' that individual products within a class display. When a generic within a product class is placed in a different reimbursement category to others in the same class, the product's price decay follows that of its classmates. Two recent examples of this halo effect are trandolapril and venlafaxine, which both straddle two reimbursement categories.

When category M was introduced into the Drug Tariff in April 2005, the authorities were looking to use quarterly sales data derived from manufacturers to arrive at reimbursement prices that more closely matched the actual trade prices of generics. These days, most generics quickly find their way into category M. Some, however, which are deemed "not readily available", are placed in category C, and are reimbursed at the same price as the originator brand.

Like category M products, category A generics are deemed to be "readily available". Category A reimbursement prices are based on a weighted average of the list prices quoted by the leading wholesalers Celesio's AAH and Alliance Boots' Alliance Healthcare, as well as the leading manufacturers, Actavis and Teva.

Decline to 50% after three years

Analysing generics launched since January 2008, WaveData found that category A products typically declined to about 70% of their brand's list price after a year. Their price then fell to about 60% after two years and 50% after three years. Trandolapril 4mg in 28-capsule packs was a typical example (see Figure 1). Only three category C products have been launched since the beginning of 2008, but their prices appear to have declined faster than their category A counterparts. Prices of less than 50% of the original brand list price were recorded in less than a year, but they declined very slowly thereafter (see Figure 2).

Category M generic prices fall into two groups: those that 'crash'; and those that decline slowly (see Figure 3). "The 'crashers' are typically at about 10% of the brand's list price within a year of launch," observes WaveData's managing director Charles Joynson. He notes that 'slow decliners' like 28-capsule packs of trandolapril 2mg are priced at about 70% of the brand after the first year, decline to 50% after two years and are at 40% after three years.

"There appears to be a halo effect taking place," remarks Joynson. "The two strengths of venlafaxine XL in category C behaved much more like fast-declining category M products, possibly due to the fact that the standard-release forms of venlafaxine are in category M." Similarly, he adds, trandolapril 2mg capsules in category M behaved more like a category A product. In fact, this is what it was – and the other three trandolapril strengths still are – from its launch in April 2008 until 18 months later in October 2009, when it was transferred to category M.

He insists that prices of category A generics are more predictable than those in categories C or M. "Category C products offer some signs of predictability, but category M products are the least predictable of all." **G**

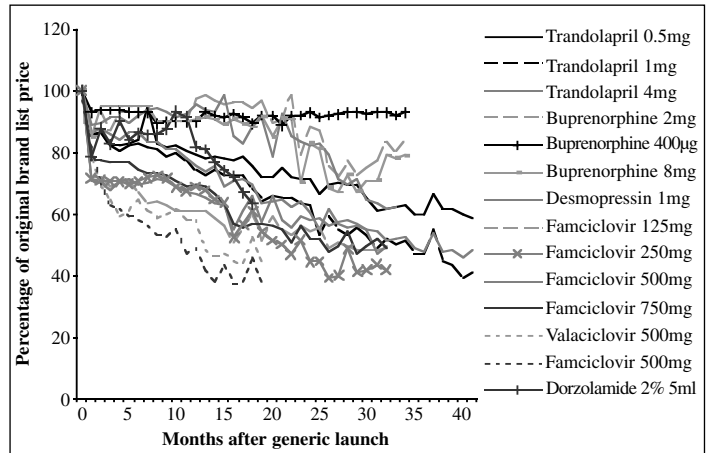


Figure 1: Monthly price decay after launch since January 2008 of generics placed in category A of the Drug Tariff reimbursement list (Source – WaveData)

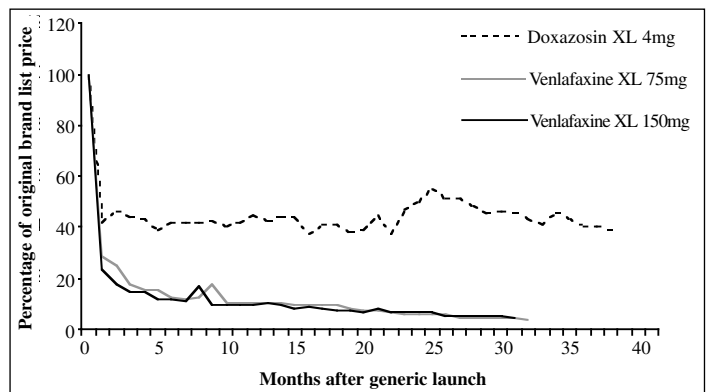


Figure 2: Monthly price decay after launch since January 2008 of generics placed in category C of the Drug Tariff reimbursement list (Source – WaveData)

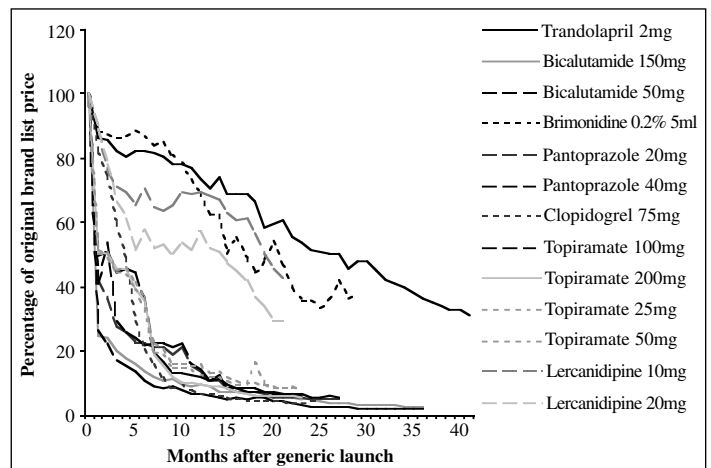


Figure 3: Monthly price decay after launch since January 2008 of generics placed in category M of the Drug Tariff reimbursement list (Source – WaveData)

WANT MORE LIKE THIS?

Long-term product price trends or other price analyses are available. Please specify the product and period of time you would like to investigate and email your request to info@wavedata.co.uk.

■ For further information see www.bppi.co.uk.

Alternatively, contact Charles Joynson at WaveData Limited, UK. Tel: +44 (0)1702 425125.

E-mail: cjoynson@wavedata.co.uk.

