

More products lined up for category M

Three relatively new generics will be transferred on 1 April to category M of the Drug Tariff of reimbursement prices in England and Wales. From next month, pharmacists will be reimbursed for the three products – esomeprazole, pioglitazone and valsartan – at rates based on actual prices in the marketplace.

Two of the products, esomeprazole and valsartan, will be transferring from category C of the Tariff, where they have been since their generic launches towards the end of last year. Category C prices are based on the originators' trade prices and are for generics that are "not readily available". The third "readily available" product, pioglitazone, will be moved from category A, where it has been since December, a few months after its launch. This category contains prices that are weighted averages of the list prices of manufacturers Actavis and Teva and wholesalers Celesio and Alliance Boots.

Drug Tariff prices for the two category C products have, not surprisingly, been unchanged since launch, but those for pioglitazone in category A have all slipped down in the six months or so since launch. Packs of 28 tablets of pioglitazone 30mg, for example, had a reimbursement price of £35.89 (US\$56.26) in category C last September, but this had drifted down to £33.48 in category A this month.

The Department of Health gave notice of the transfers on 1 March, a month before they were due to take place, but WaveData has seen little reaction in any of the products' market prices during the past few weeks. Indeed, Charles Joynson, WaveData's managing director, comments that the lowest and average prices for esomeprazole and pioglitazone have continued their gradual decline, but some offers for valsartan have been withdrawn. This may be coincidental, but the lowest price for 28-capsule packs of valsartan 160mg was £2.35 in February, whilst the lowest recorded this month is £2.45.

On past experience, most switches to category M after the first few months of a product's life result in little disturbance of the pre-existing price trend in the marketplace (*Generics bulletin*, 17 February 2012, page 25). This was true for olanzapine which made the move from category C on 1 January 2012 (see Figure 1). By the time of olanzapine's transfer to category M 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.

Joynson adds, however, that high-priced products suffer greater price erosion after a change to category M than low-priced generics, and that this can be especially true for some category A switches. The average price for 28-tablet packs of pioglitazone 30mg is about 40% of the reimbursement price on average this month, but can be as low as 27% (see Figure 2). Meanwhile, the average price for 28-tablet packs of esomeprazole 20mg is 58% of the reimbursement price, although one offer has it at 48% (see Figure 3). This would suggest that esomeprazole prices will suffer more by the switch to category M, although competition will also be an important contributory factor.

No great price changes can be expected for valsartan. The average price of 28-capsule packs of valsartan 40mg is already just 22% of the reimbursement price, but can be as low as 14% (see Figure 4). G

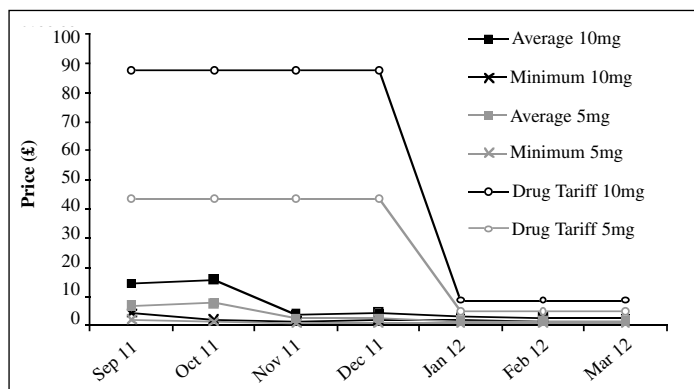


Figure 1: Minimum and average trade and Drug Tariff prices for 28-tablet packs of olanzapine 5mg and 10mg in recent months (Source – WaveData)

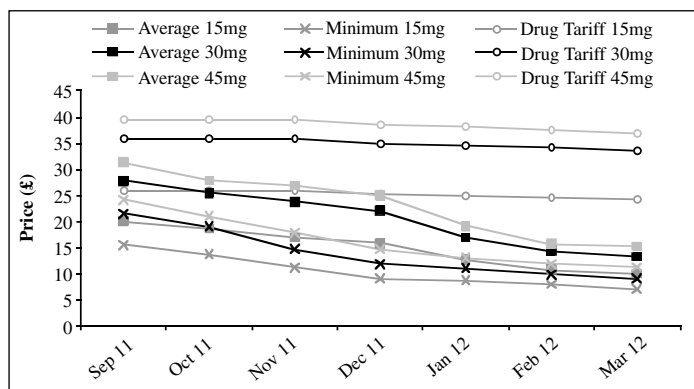


Figure 2: Minimum and average trade and Drug Tariff prices for 28-tablet packs of pioglitazone 15mg, 30mg and 45mg in recent months (Source – WaveData)

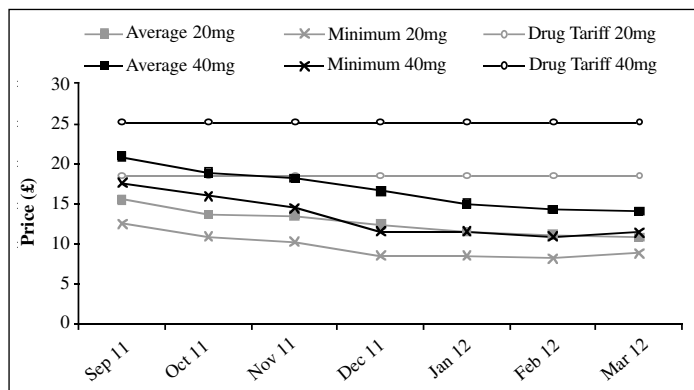


Figure 3: Minimum and average trade and Drug Tariff prices for 28-tablet packs of esomeprazole 20mg and 40mg in recent months (Source – WaveData)

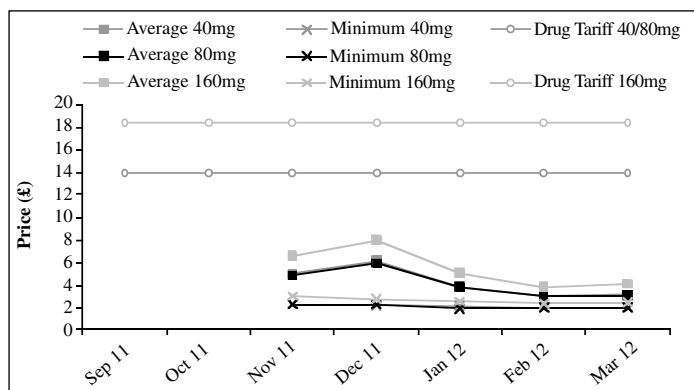


Figure 4: Minimum and average trade and Drug Tariff prices for 28-capsule packs of valsartan 40mg, 80mg and 160mg in recent months (Source – WaveData)

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