

# Omeprazole shortages increase prices

Exactly one month after agreeing a special reimbursement price for 28-capsule packs of omeprazole 20mg during December, the UK Department of Health (DoH) made the same concession for January. In the meantime, however, it had published a new Drug Tariff that, far from making allowances for rapidly-rising trade prices of omeprazole capsules, had actually reduced the price of the 20mg strength.

As we pointed out last month, independent pharmacists and dispensing doctors in England and Wales were actually losing money when dispensing omeprazole 20mg capsules, based on the average December trade price and the January reimbursement price (**Generics bulletin**, 15 January 2010, page 19). Since then, the problem has got worse, as omeprazole capsule prices have continued to rise, due to shortages of the 20mg strength.

The latest average trade price for January shows 28-capsule packs of omeprazole 20mg were changing hands in the trade for £2.24 (US\$3.64). This was £0.48 more than the £1.76 in the Drug Tariff before the 18 January announcement by the DoH. Once the DoH had raised its reimbursement price for January, however, pharmacists and dispensing doctors were being reimbursed £3.99 for every 28-capsule pack of omeprazole 20mg they were dispensing, giving them an average profit margin of 44%, including their dispensing fee.

As recently as October 2009, the average price for a 28-capsule pack of omeprazole 20mg was just £0.85, giving pharmacists a dispensing profit margin of 52% on a category M reimbursement price of £1.77, based on manufacturers' historical sales returns.

Other strengths of omeprazole capsules have also experienced the same trade-price rises, as Figure 1 shows, although it is not clear whether this has been due to shortages or market opportunism. Packs containing 28 omeprazole 10mg capsules had an average price of £1.71 in January, while seven-capsule packs of omeprazole 40mg were priced at £2.05 in the trade. Pharmacists' profit margins were down to 4% on both strengths. Tablet prices meanwhile have been unaffected by the price increases for the capsules. They remain at about £5.00, still more than twice the price of their capsule equivalents.

Looking at Figure 2, Charles Joynson, managing director of WaveData, comments that this is not the first time omeprazole 20mg has experienced a 'price bounce', although the latest rise is the largest since March 2005. Given its 'blockbuster' status, he adds, omeprazole has been the subject of about 100 verbal and written price offers a month from various suppliers since generic capsules were first launched in April 2002. In the past few months, however, this number has fallen dramatically (see Figure 3).

How those price offers can be broken down by generics player is shown in Figure 4. Noting that Teva still leads the field, Joynson observes that Sandoz appears to be having some supply problems, and that Actavis and Dexcel have recently disappeared from the market. The Icelandic company confirmed that it had run out of stock of omeprazole 20mg from its Spanish supplier in December, but said it had returned to the market during January. Its trade price for 28-capsule packs of omeprazole 20mg was £1.76, in line with its policy of never exceeding category M Drug Tariff prices.

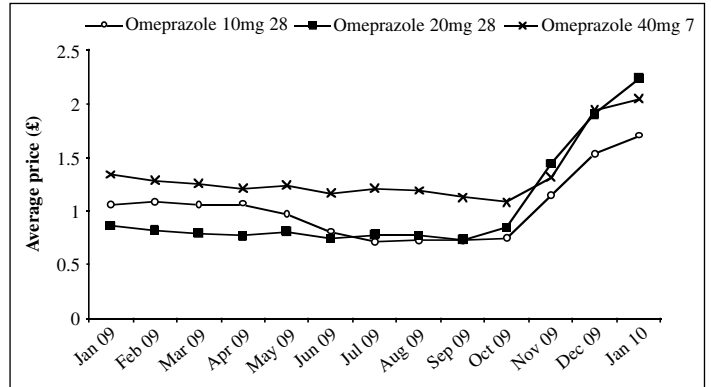


Figure 1: Average monthly trade prices offered recently to independent pharmacists and dispensing doctors for omeprazole capsules (Source - WaveData)

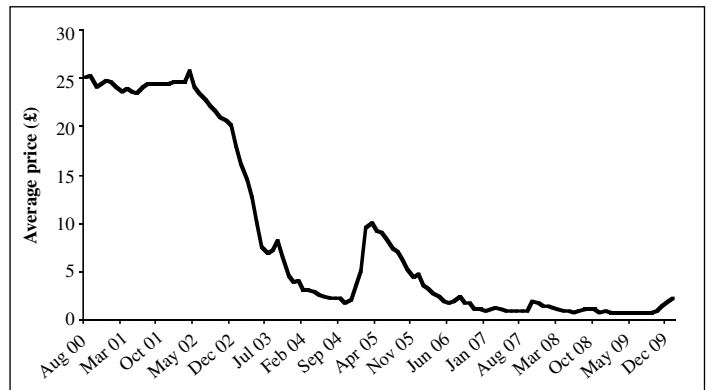


Figure 2: Average monthly trade prices for 28-capsule packs of omeprazole 20mg since before generic launch in April 2002 (Source - WaveData)

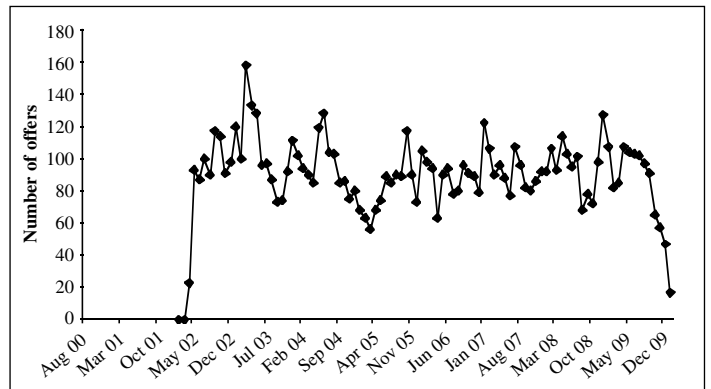


Figure 3: Total price offers each month to pharmacists and doctors by manufacturers and wholesalers for 28-capsule packs of omeprazole 20mg (Source - WaveData)

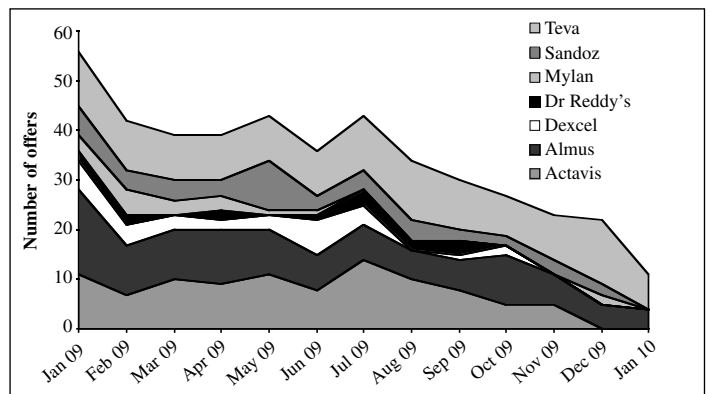


Figure 4: Recent monthly price offers for 28-capsule packs of omeprazole 20mg broken down by key manufacturers (Source - WaveData)

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