

Sales not linked to category M switch

No link exists between the sales value of a generic launched onto the UK market and the time it takes for the Department of Health to move it to category M of the Drug Tariff of pharmacy reimbursement prices, according to WaveData. “Many people say that high-value products are likely to be moved to category M within a few months of launch,” says WaveData’s managing director, Charles Joynson, “but our research shows that this is not necessarily the case.”

WaveData analysed the 36 product lines added to category M since 2012 using prescribing data from National Health Service (NHS) England and monthly Drug Tariffs released by the NHS Business Services Authority. It found that two-thirds of transfers to category M – 25 out of 36 – had occurred four to six months after launch (see Figure 1). Half of the products had pre-launch monthly sales of under £0.4 million (US\$0.63 million), but others were worth over £2.0 million.

The significance of the switch to category M for retail pharmacists is that their dispensing margin is often dramatically reduced. Generics suppliers can also be affected, however, when pharmacy reimbursement prices become more closely related to actual market prices and pharmacists shop around for a better deal. Category M is based on actual, historical sales values supplied by generics firms. These weighted sales figures are uplifted by the authorities to create a dispensing profit margin for pharmacists. New generics are initially reimbursed as category C drugs, which is at the trade price of their brand equivalent. Some are subsequently moved to category A, based partly on the trade price lists of Actavis and Teva, or straight to category M. After a while, some category A products are switched to category M.

Blockbuster products like montelukast tablets, for example, had been on the market for six months before they were put into category M, despite prescription sales worth over £3.0 million in the month before launch in February 2013. Indeed, day-one trade prices offered a 90% discount to the brand, which meant that pharmacists enjoyed a similar profit margin for dispensing the product (*Generics bulletin*, 19 April 2013, page 19). Similarly, cyclizine was switched to category M six months after launch, but its sales were a tenth of those for montelukast.

Among the 15 product lines that were switched to category M within just four months of generic launch, 11 had total sales worth less than £0.5 million in the month before launch (see Figure 2). Equally, however, one of the four-month products – sildenafil – had monthly prescription sales of over £2.0 million. At the other end of the scale, the product line with the lowest total prescription sales before generic launch – cilostazol with £73,766 before launch in November 2013 (see Figure 3) – was switched to category A three months after launch and to category M a month later in April (*Generics bulletin*, 16 May 2014, page 27). But eplerenone with pre-launch monthly prescription sales of over £1.0 million before August 2014 had 10 months to wait, also after a period in category A (see Figure 4).

Joynson speculates that the timing of moves to category M may be the result of the Department of Health’s need to align the reimbursement total for the year-to-date against its total annual budget. “It’s probable,” he comments, “that products are added to category M when a change in the profit delivered to retail pharmacy needs to be effected.”

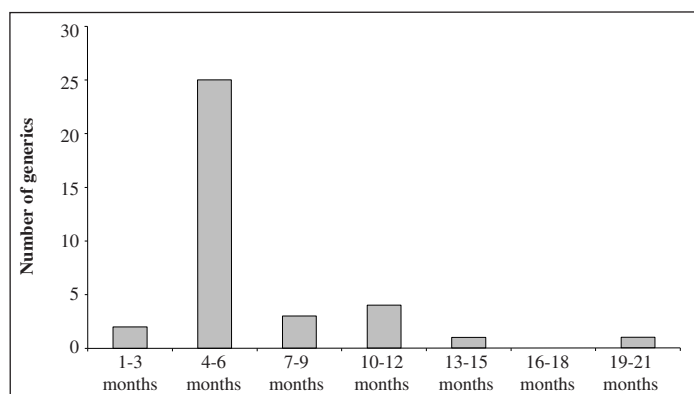


Figure 1: Time after launch since 2012 to switch 36 new generics to category M of the Drug Tariff of pharmacy reimbursement prices (Source – WaveData)

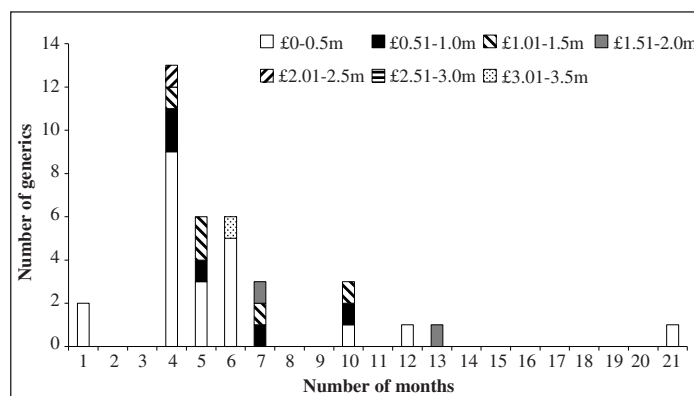


Figure 2: Time after launch since 2012 to switch 36 new generics to category M, showing their total pre-launch monthly prescription sales value (Source – WaveData)

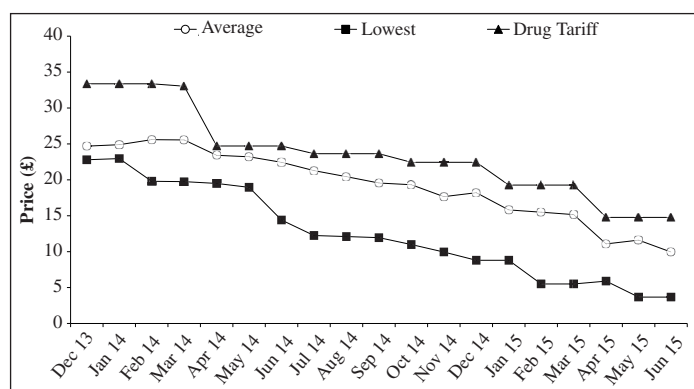


Figure 3: Lowest and average trade prices, compared to Drug Tariff reimbursement prices, for 56-tablet packs of cilostazol 100mg (Source – WaveData)

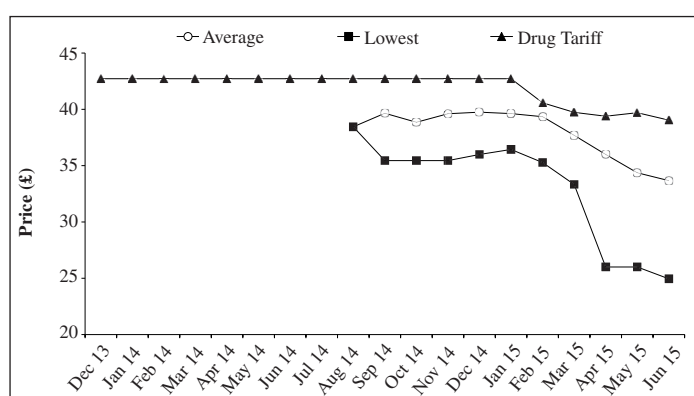


Figure 4: Lowest and average trade prices, compared to Drug Tariff reimbursement prices, for 28-tablet packs of eplerenone 25mg (Source – WaveData)

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■ 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.