

Tracing prices before and after category M

Two of the most lively UK product markets are for the proton-pump inhibitors omeprazole and lansoprazole. Last month, for example, WaveData recorded almost 100 separate price offers to independent pharmacists and dispensing doctors from manufacturers and wholesalers. The prices of both drugs have also been fairly volatile; since launch in the case of lansoprazole and in more recent times for omeprazole. The three-year period between their market entries means they represent different eras in the UK market. In government reimbursement terms, their launches could be described as pre- and post-category M of the Drug Tariff, which made its first appearance in April 2005.

What is not immediately apparent from Figure 1 was the speed with which average lansoprazole prices fell when generic Zoton was launched last December. Launch prices in month 1 already offered more than a 60% discount to the brand and the price kept falling.

As Figure 2 shows, after six months the discount was more than 85%. The lower 15mg strength of lansoprazole had an average price of £1.69 (US\$3.15) for 28-capsule packs compared with £12.92 for the brand; while the figures for the 30mg strength were £3.02 and £23.63. The 'bounce' after about eight months was probably linked with how quickly some manufacturers reached their cost of goods, according to Charles Joynson, WaveData's managing director. "This resulted in a shake out of some manufacturers until the price recovered and they re-entered the market," he said.

Generic omeprazole 20mg, in complete contrast, had an average price that was more than 90% that of its Losec brand equivalent in its launch month of April 2002 (see Figure 3). Even six months later, with five manufacturers active in the market, generic omeprazole 20mg was still priced on average at 75% of the brand price.

By November 2004, however, which was 32 months after launch, all three strengths of omeprazole – 40mg in seven-capsule packs – were priced on average at about £1.80, which in the case of omeprazole 20mg was a 94% discount on the brand price. At that time, there were eight manufacturers competing actively in the market – today there are about 10 – and Teva was offering the product at £0.95. Just a few months later, however, Teva's price was ten-times more at £9.71 as shortages began to bite (**Generics bulletin**, 8 April 2005, page 16).

Category M was introduced in April 2005, but it was not officially launched with the cooperation of industry until July 2005. That would have been 40 months after the launch of generic omeprazole and before generic lansoprazole was introduced. For these two products at least, it is apparent that the quarterly delay in turning volume-weighted industry pricing data into category M pharmacy reimbursement prices means that pricing peaks are not reflected in current reimbursement prices, as was recently the case with lansoprazole.

Lansoprazole's monthly average price rises this summer were much sharper than seems evident in Figure 2. The Drug Tariff meanwhile continued to follow the gentle downward drift the drug's prices had been taking in preceding months. It remains to be seen whether pharmacists will be able to make small windfall profits on lansoprazole if the January 2006 Drug Tariff lifts reimbursement prices to reflect the summer upward bounce. Manufacturers, meanwhile, may also seize the opportunity to raise their lansoprazole prices. **G**

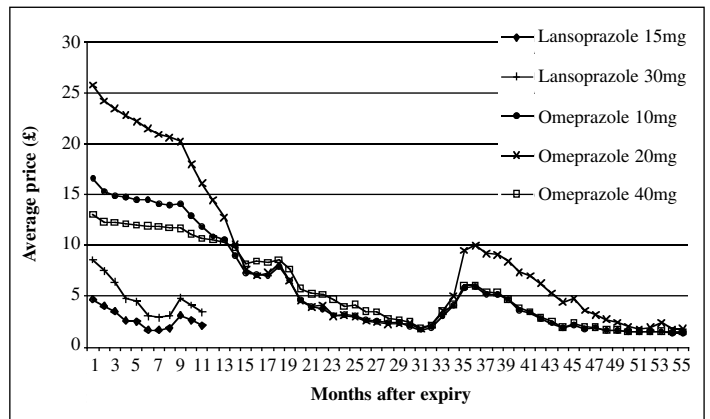


Figure 1: Comparing the average prices of omeprazole and lansoprazole in the months following their launch in April 2002 and December 2005. Prices are for 28-capsule packs except for seven-capsule packs of omeprazole 40mg (Source – WaveData)

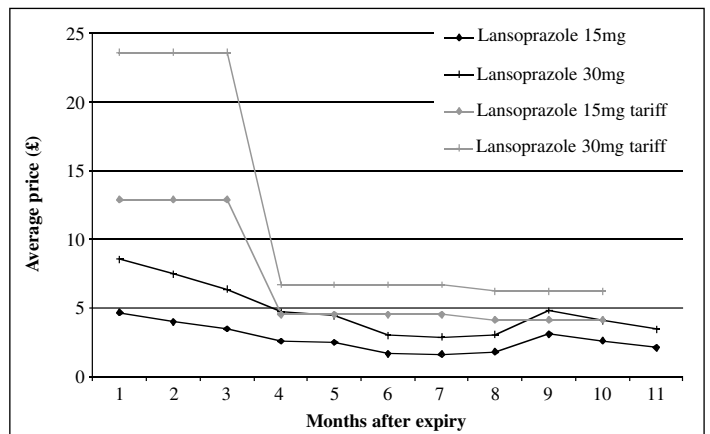


Figure 2: Average market prices for 28-capsule packs of lansoprazole after launch in December 2005, compared with their Drug Tariff pharmacy reimbursement prices (Source – WaveData)

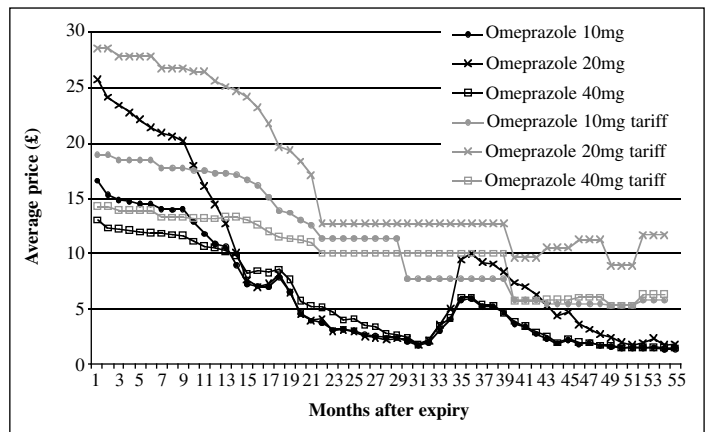


Figure 3: Average market prices for 28-capsule packs of omeprazole 10mg and 20mg, and seven-capsule packs of omeprazole 40mg, after launch in April 2002, compared with their Drug Tariff reimbursement prices (Source – WaveData)

PRICE WATCH UK highlights generics price changes in the UK market and appears exclusively in every issue of **Generics bulletin**, courtesy of the Pharma TouchStone service of WaveData.

WaveData collects and collates pricing information from a number of European countries. In the UK, pricing information about generics, brands and parallel imports is gathered from offers made to independent retail pharmacists and dispensing doctors by wholesalers, suppliers and product manufacturers.

WaveData collates this data and publishes the results as its Pharma TouchStone service. This is designed to give customers of the service fast, accurate, real-time access to current generic prices.

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