Tracking shortages with price concessions

When is a shortage really a shortage? When pharmacists have to pay more for supplies, or when patients have to do without their medicines? The answer at the moment in the UK depends on who is asked.

On its website, the Pharmaceutical Services Negotiating Committee (PSNC) – the body which represents community pharmacy in England – describes government price concessions to pharmacy reimbursement prices as responses to "generic shortages". However, Warwick Smith, director of the British Generic Manufacturers Association (BGMA), maintains that higher prices are merely the result of market forces and were anticipated when category M, based on actual market prices, was introduced into the Drug Tariff (**Generics** ***bulletin***, 12 July 2013, page 9).

"We must not confuse price rises with product shortages," he says. "Less product from fewer suppliers does not necessarily mean product shortages." Only isosorbide, he notes, has been officially identified as being in short supply (**Generics** ***bulletin***, 8 March 2013, page 25).

Figures 1, 2 and 3 show how the Department of Health and the marketplace have responded to the problem with isosorbide mononitrate tablets. The first signs of trouble were apparent in January, when at the request of the PSNC, the Department of Health granted a price concession to the 20mg strength, reimbursing it at £4.85 (US$7.67), rather than at its Drug Tariff price of £1.83. At that stage, neither of the other two strengths was as badly affected.

In February, all three strengths were given 'no cheaper stock obtainable' (NCSO) status, which meant pharmacists were free to charge the government what they were being asked to pay by the market. In the case of the 10mg strength particularly, this was considerably more than the Drug Tariff price, according to WaveData's information. March saw the 40mg strength given NCSO status, but the two lower strengths were granted price concessions. While the average market price for the 20mg strength was reflected in the price concession, the average price for the 10mg form was £22.41, nearly 75% more than the 10mg price concession of £13.10. All three strengths were granted price concessions in April, and have been given them in every month since. Interestingly, the Department has not granted NCSO status to any product since April, when indapamide 2.5mg tablets were the recipients.

What is clear from WaveData's analysis is that monthly price concessions rarely match the actual average prices in the market. The Department has been a lot closer for the 40mg strength than for the two lower strengths, particularly for the 10mg strength in earlier months. Notably in June, even the minimum price for isosorbide 20mg was higher than its concessionary price.

Meanwhile, six months or so after launch, WaveData has reviewed the progress of montelukast. Day one launch prices in February offered a 90% discount to the brand, a level which was maintained for the first few months (**Generics** ***bulletin***, 19 April 2013, page 19). Since then, prices have drifted lower such that in August, the average market price of the 10mg strength offered a 93% discount to the brand, while the lowest price offered 95% (see Figure 4). Thanks to a move for montelukast to category M in July, independent pharmacists' average dispensing margin for the 10mg strength was 40% last month, although it could have been as high as 59% if they had shopped around. G

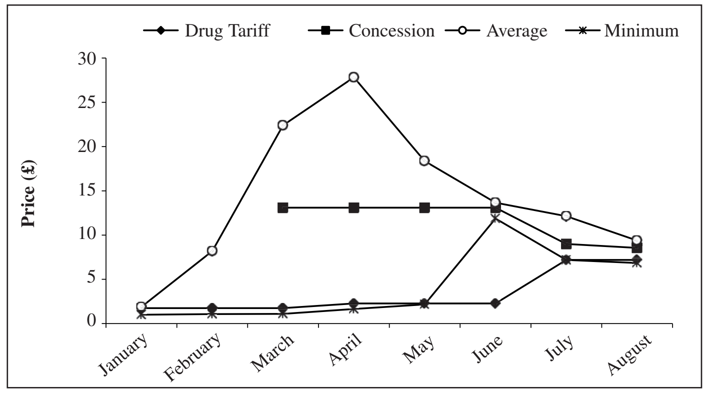

Figure 1: Monthly trade, Drug Tariff and concessionary prices for 56-tablet packs of isosorbide mononitrate 10mg this year (Source– WaveData)

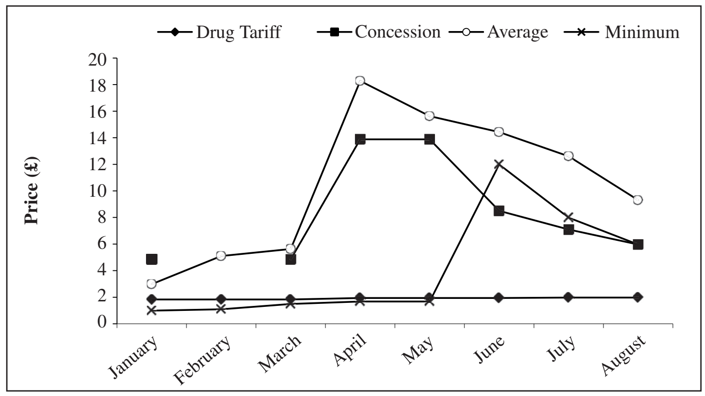

Figure 2: Monthly trade, Drug Tariff and concessionary prices for 56-tablet packs of isosorbide mononitrate 20mg this year (Source – WaveData)

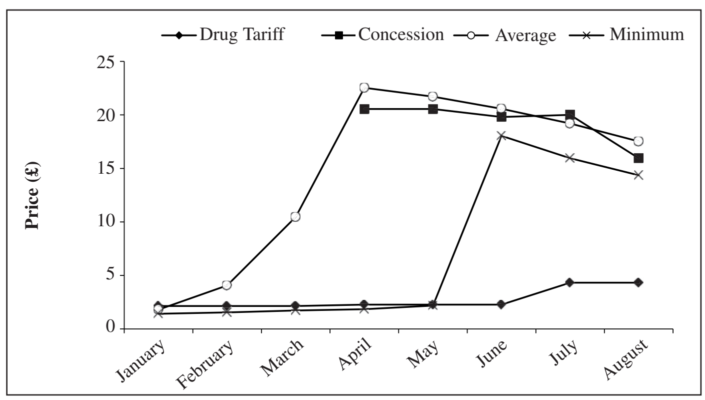

Figure 3: Monthly trade, Drug Tariff and concessionary prices for 56-tablet packs of isosorbide mononitrate 40mg this year (Source – WaveData)

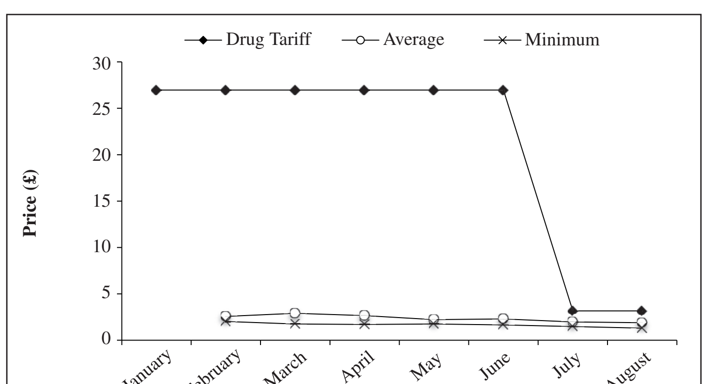

Figure 4: Monthly trade and Drug Tariff prices for 28-tablet packs of montelukast 10mg since the product's launch at the end of February (Source – WaveData)