

Market Evolution

Public Pharmaceutical Expenditure (pharmacies)

	Mayo 2013	Mayo 2012	% var. 2013/12
Exp. (€ Mill.) *	799,3	909,1	-12,07%
Prescrip. (Millions)	75,4	84,8	-11,01%
Av. Exp. per. prescription (€) *	10,60	10,72	-1,19%

*Retail price (VAT included).

Data from the Ministry of Health, Social Services and Equality shows that in May 2013, public pharmaceutical expenditure at pharmacies experienced a drop of -12.1%, compared to the same month the previous year. This variation in expenditure is a consequence of a fall in the number of prescriptions (-11.0%) and a drop in the average price per prescription of -1.2%.

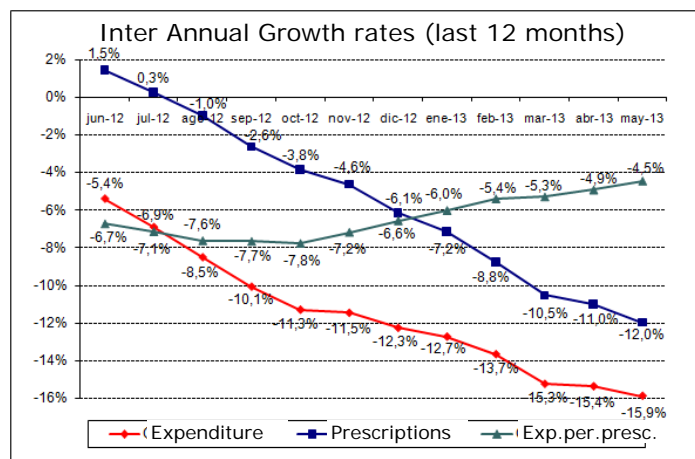
After the peaks and valleys effect on public pharma expenditure around the Easter holiday period, the month of May registered once again falls in expenditure similar to the average in the first Q of 2013 of around -12% / -15%.

However, it is foreseeable that in the coming months (June and July) pharma expenditure will register new atypical values; a sharp fall in June, probably higher than -20% annual, followed by an upturn in July.

The explanation for these peaks and valleys is once again down to statistics. If we compare June of this year to June 2012, we see that June 2012 was the month prior to the copayment scheme coming into force and a noticeable increase on the demand-side of prescriptions was registered, which is typical in these cases.

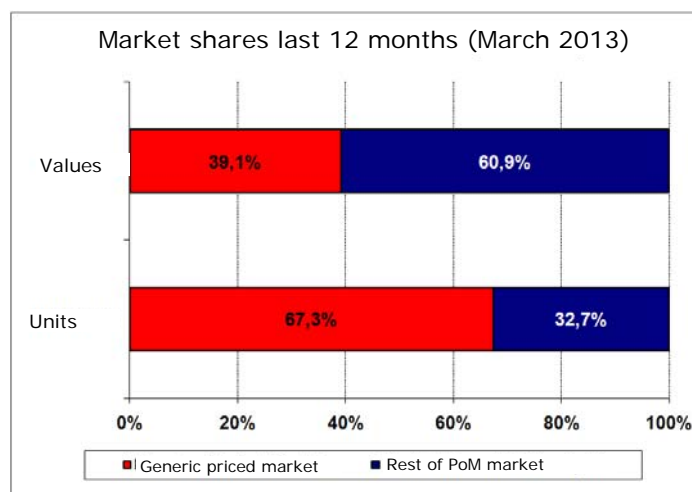
On the other hand, when we compare July 2013 with that of 2012 -where the effects of the build-up of prescriptions from the previous month were experienced-, we see a noticeable fall in prescription demand and pharma expenditure.

Where annual expenditure evolution is concerned (as seen in the chart below), a drop of -15.9 % was registered in May 2013 and the pharma expenditure variation rate continued to drop significantly too.



In turn, measures such as the copayment system and the de-listing of medicines for minor symptoms that came into force in July and September 2012 respectively, continue to have a strong impact on the demand on prescriptions in the public pharmaceutical market.

Finally, data from the IMS covering the 12-month period ending March 2013 shows that the whole of the medicines market with generic prices reached 67.3% of the total prescription market, in units, in Spain, and 39.1% of said market value.



Source: Farmaindustria estimation from IMS.

Note: Total market net from RDL 8-2010 and 9-2010 RDLs rebates.

The gap between healthcare expenditure in Spain and other countries in the Euro Zone as a whole is getting wider.

One of the main conclusions reached from the healthcare barometer study that the CIS (the Spanish centre for sociological research) carries out annually and which is published in the MoH's webpage ¹ is that the Spanish public healthcare system is valued positively by its users. Similarly in 2011, the Spanish healthcare system reached its highest evaluation, with an average score of 6.59 on a scale of 1-10, and in 2012, very similar results were obtained, 6.57.

Furthermore, in the international arena, Spanish public healthcare has traditionally held one of the leading positions where quality attention is concerned: surveys have been carried out by public and private bodies, among them the World Health Organisation.

In turn, other types of collateral indicators, for example "tourist healthcare" or those results such as life expectancy at birth or infant fatality ratios also give further proof that the public healthcare system offers good quality service in our country.

The most striking result is from an international comparative which shows Spain's NHS as one of the highest ranking positions regarding satisfaction and results, albeit at a lower average cost than other Euro zone countries; this points to a high degree of efficiency (in an international comparative) of Spanish public healthcare expenditure.

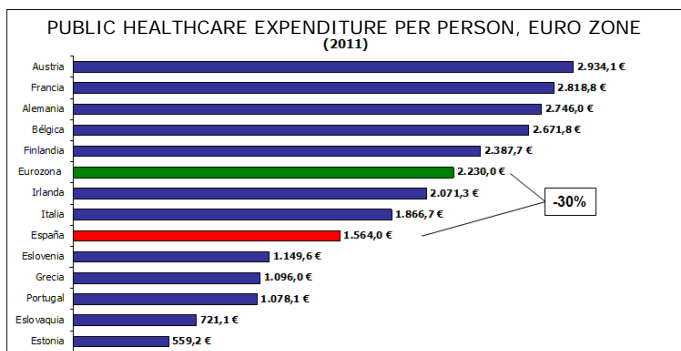
According to the latest figures published by the OECD, public healthcare expenditure per habitant in Spain in 2011 was 1,564 €, a -30% lower than the average (2,230€ per capita) in the Euro zone² countries.

As shown in the following chart, between 2010-2011, Spain's healthcare expenditure per capita increased by 3

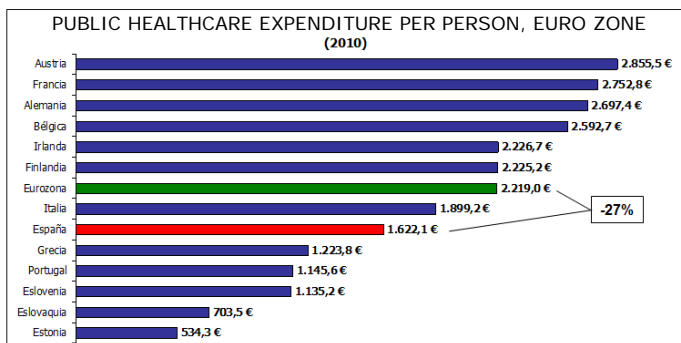
¹ Ver: <http://www.msssi.gob.es/estadEstudios/estadisticas/sisInfSanSNS/informeAnual2012.htm>

² Euro Zone countries were chosen as European reference countries so as to avoid variations in exchange rates that could distort comparatives.

percent, thus distancing itself from the average Euro Zone countries.

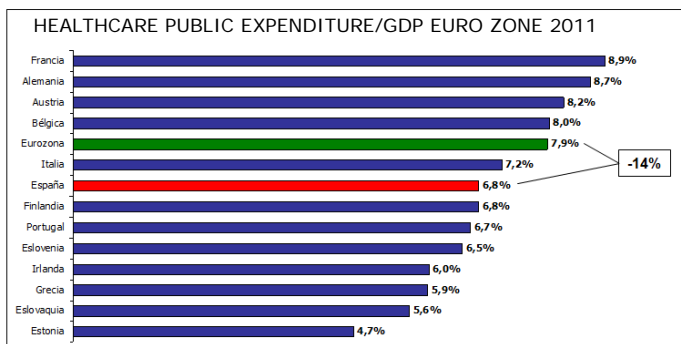


Source: Farmaindustria from ODEC data

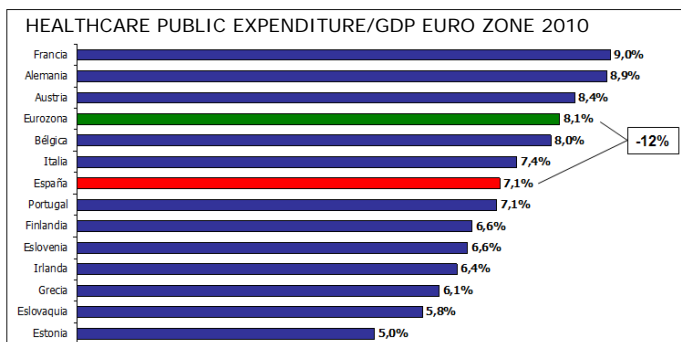


Source: Farmaindustria from ODEC data

Similarly, when analysing the evolution of public healthcare expenditure in Spain and in the Euro zone countries –in terms of relative weight in GDP-, the results are of a similar trend.



Source: Farmaindustria from ODEC data



Source: Farmaindustria from ODEC data

As shown in the charts above, the percentage of resources that Spain allocates to financing the NHS is clearly below the European average.

What's more, far from reducing this gap between Spain's allocated resources to public healthcare and

those of the Euro Zone, the gap has widened in the last year (2011 vs. 2010).

When analysing what percentage was allocated to public healthcare expenditure over total public expenditure we see that Spain allocated 15.6% (a ratio very similar to the average Euro zone countries i.e. 15.9%). In 2011 this percentage dropped to 15%, distancing itself noticeably from the average countries in the Euro zone that increased expenditure up to 16.1% in 2011.

Regardless of the odd inefficiency which can crop up in the Spanish NHS and, in turn, should be corrected, any reduction on expenditure must be carefully studied so as not to affect the foundations of the system. If we read the international comparatives, we can see that Spain doesn't have much margin to play with to alter percentages in this area.

Budgetary adjustments and quality of the Spanish healthcare service.

One of the most prestigious publications in healthcare is the British Medical Journal and recently they tackled the tremendous problem of budgetary constraints in healthcare in an article called *Will austerity cuts dismantle the Spanish healthcare system?*³; this article had a significant impact in our country:

In said article, the authors stated that in spite of the volume of resources allocated to public healthcare expenditure in Spain (as a GDP percentage), clearly well below the European average, the Spanish NHS has proved to be working better than those in other neighbouring countries.

However, even though this positive factor exists, the budgetary constraints being made in Spain over the last few years have caused a stir and have coincided with the increase in healthcare demand stemming from the economic crisis.

Where the effects of these austerity measures are concerned, the article lists a series of signs that could draw ones attention to a possible deterioration of our health service. They say that 87% of citizens would support an increase in expenditure to go towards primary healthcare, and, that they have concerns about the general running of the NHS and waiting lists.

To conclude, the authors believe the Spanish NHS is cheap, efficient and valued by its users and echo some analysts' views that future savings made on public expenditure will be taken from other sources rather than from healthcare.

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³ BMJ 2013; 346:f2363.