

Monthly Bulletin

THE PHARMACEUTICAL
MARKET IN SPAIN

october 2013

Market evolution

	Oct. 2012- Sep. 2013	Oct. 2011- Sep. 2012	% var. 2013/12
Exp. (€ Mill.) *	9.062,0	10.238,8	-11,49%
Prescrip. (Millions)	848,8	949,6	-10,61%
Av. Exp. per. prescription (€) *	10,68	10,78	-0,99%

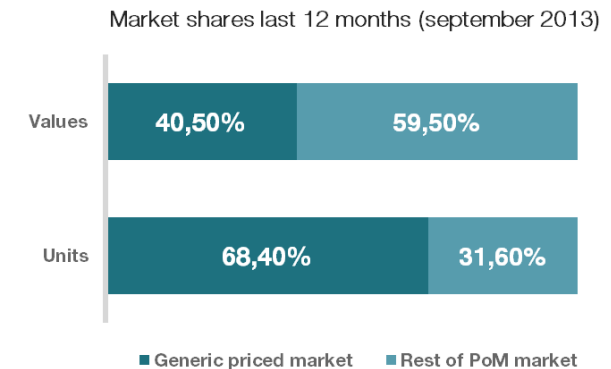
*Retail price (VAT included).

Public Pharmaceutical Expenditure (pharmacies)

Data from the Ministry of Health, Social Services and Equality shows that in September 2013, public pharmaceutical expenditure at pharmacies experienced a drop of -11.5%, compared to the same month the previous year. This variation in expenditure is a consequence of a fall in the number of prescriptions (-10.6%) and a drop in the average price of each prescription by -1.0%.

The accumulated expenditure in the 12-month period to September 2013 (please see the below chart) is 709 M€ lower than the figure at the end of 2012 and it is foreseeable that this differential will be even greater by the end of this year.

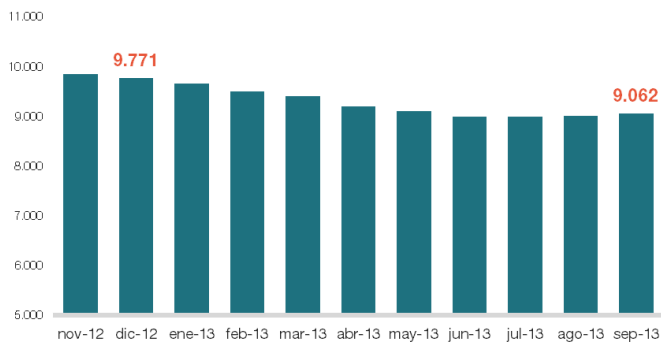
Finally, data from the IMS covering the 12-month period ending September 2013 shows that the whole of the medicines market with generic prices reached 68.4% of the total prescription market, in units, in Spain, and 40.5% of said market value.



Source: Farmaindustria estimation from IMS.

Note: Total market next from RDL - 8-201 and 9-2010 rebates.

Pharmaceutical expenditure. Moving average last 12 months (€ Mill.)



As indicated in our last Bulletin, the number of prescriptions experienced a new peak in growth in September of +10.3% in annual rate. This does not set off a new trend for the future, rather it is due to the statistic effects derived from comparing September 2012 (a month with particularly low prescription demand) and the accumulation of prescriptions in August 2012 –the month prior to 417 medicines (for minor illnesses) being de-listed from NHS financing.

In the coming months, we expect the variation rate on prescription demand to be a lot more stable.

The Spanish public pharmaceutical market has lost 29% of its value in 3 years.

Traditionally, public pharmaceutical expenditure series have been a variable on the rise and this trend is due to multiple factors including demographics such as a growing protected population, more elderly people or the increase in life expectancy. The progression of chronic diseases (which used to result in fatalities) and the upgrading and availability of innovative therapeutic medicines through the NHS are, consequently, more expensive.

As a result, public pharmaceutical expenditure in prescriptions increased year after year until it reached its maximum high of 12,722 M€ in the 12-month period to May 2010.

Nevertheless, this trend came to a stop at the end of 2010 when public pharma expenditure suffered a drop of -2.4% compared to 2009. Since then, Spain's public pharma expenditure has continually suffered a downturn and this year, 2013, is the 4th consecutive year of falls in expenditure where NH prescriptions are concerned.

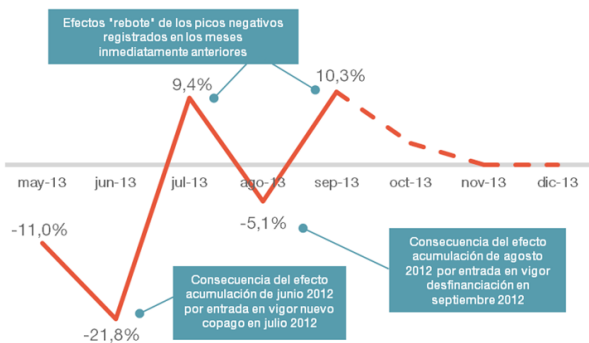
In particular, the magnitude of the fall in public pharma expenditure (measured by its mobility over the last 12-months) shows that since May 2010 (a record high) through to September 2013, was a -29% bringing this variable to its lowest level since February 2004.

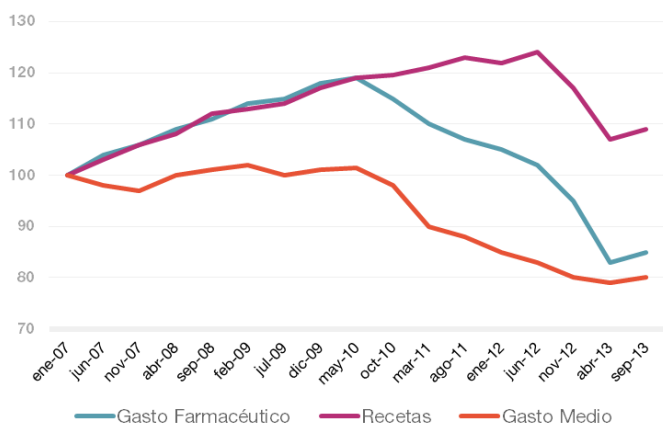
It's interesting to analyse which of the two components (the amount of prescriptions dispensed and the average cost per prescription) have played a greater role in its evolution and how they have had a bearing on one or another component(s) of expenditure the different measures of pharma policies adopted by public administration over the last few years.

To conduct this study, it is best to transform the three series (pharma expenditure, the number of prescriptions and the average cost per prescriptions) in index numbers, make a base number of 100 choosing a common date, allows a direct comparative be carried out on the 3 variables.

The following chart shows the unfolding of the said three series (measured by its mobility over the last 12-months) since January 2007 (base 100) up to the present moment.

Número de Recetas. Tasas anuales de crecimiento





Fuente: Análisis Farmaindustria a partir de MSSSI

The above chart shows the three stages with noticeable differences in the last few years.

January 2007- May 2010. In this stage, one can observe public pharma expenditure steadily rising, this evolution is almost 100% due to the number of prescriptions dispensed, given that the average cost per prescription has hardly varied in the three and a half years of this first stage.

June 2010 – July 2012. In this stage, public pharmaceutical expenditure begins to fall in Spain due to strong reductions on the average cost of prescriptions.

The number of prescriptions -although still on the up- is clearly losing steam where its growth rate is concerned. In this stage, the negative evolution of public pharmaceutical expenditure is directly linked to implementation of rebates (7.5% and at a later date, 15%) applicable to innovative products in conformity with R D laws 8/2010 and 9/2011.

July 2012- to date. In this stage, pharma expenditure evolution is once again determined by the number of prescriptions dispensed and in this case, evolution is clearly decreasing as a result of the new co-payment scheme that came into force in July 2012. The copay effects were magnified for the delisting of 417 medicines from the NHS, this came into force in September 2012.

Summing up, we are actually immersed in a situation whereby the average cost of a prescription (after suffering severe adjustments of more than -20% in two-years) is now relatively settled, with no important variations on the horizon, at least until the next Reference Pricing Order comes into force.

On the demand side, and after a reduction of almost -15% in the last year, it will continue to define the Spanish public pharma expenditure, or at least for the short-term.

Sales of innovative medicines are less dominant in the Spanish public pharma market as time goes by.

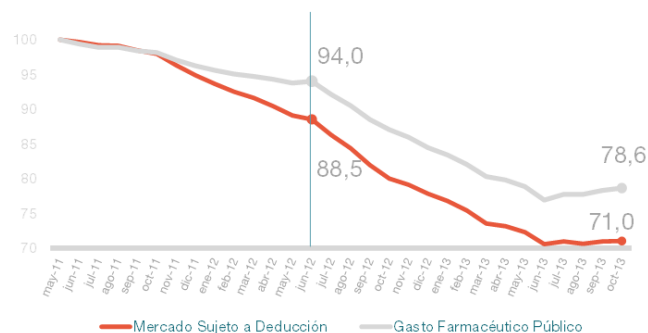
Innovative products have traditionally been linked as one of the main reasons why pharma expenditure is on the increase. The influence of innovative products, whose prices are relatively higher pushed expenditure upwards. However, latest available data shows that expenditure on innovative

medicines has fallen in the last 2-years and more so than the whole of the public pharma expenditure in our country.¹

In the following chart, public pharma expenditure (gray line) and expenditure on innovative medicines, or public market of innovative medicines subject to rebates (the orange line) are compared.

This evolution is measured by index numbers so that the comparison can be carried out without causing problems of scale that could stem from the different magnitudes between both variables.²

Evolución comparada del gasto farmacéutico público total y en medicamentos sujetos a deducción (innovaciones). Valores acumulados a 12 meses. Índice mayo 2011=100



Fuente: Farmaindustria, a partir de datos propios y MSSSI

During the period May 2011 and June 2012 (the month prior to the co-payment scheme), public pharmaceutical expenditure fell by -0.6% meanwhile expenditure on innovative medicines fell by -11.5%, a difference of 5.5 percent.


In turn, and since the co-pay scheme was established, the previous difference mentioned above has extended and, in the meantime, public pharma expenditure fell by a -21.7% between May 2011 and September 2013, expenditure on innovative medicines reduced by a -29% in the same period, i.e. a 7.3% less.


To conclude, over the last 2-years, public pharma expenditure on innovative medicines (medicines subject to rebates and dispensed at pharmacies) have evolved in a much more negative way than the whole of the Spanish public pharma expenditure, which implies a decline of importance for innovative medicines in the whole of the Spanish public pharmaceutical market.

¹ Used as a reference for innovative drugs are those medicines dispensed at pharmacies, medicines subject to rebates defined in RDL 8/2010 and 9/2011; that is to say, products with no generic competence, in the majority of cases they still have a patent protection, and therefore, are not subject to RPS.

² A base index is made with 100 and the month of May 2011 is used; this is the first month that offers data for a complete 12-month period of public expenditure on medicines subject to innovation.

farmaindustria

 C/ María de Molina, 54, 7^a
28006 - Madrid

 Phone: (+34) 91 515 93 50

 farmaindustria@farmaindustria.es

 facebook.com/farmaindustria

 [@farmaindustria](https://twitter.com/farmaindustria)

 googleplus

 <http://www.farmaindustria.es/>