

The Economic Bulletin

**THE PHARMACEUTICAL
MARKET IN SPAIN**

Number 115

Market evolution

Public Pharmaceutical Expenditure (pharmacies)

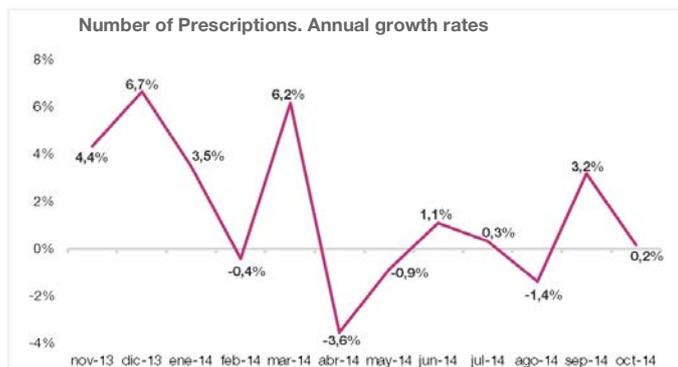
	Nov. 2013- Oct. 2014	Nov. 2012- Oct. 2013	% var. 2014/13
Exp. (€ Mill.) *	9.325,0	9.099,6	2,48%
Prescrip. (Millions)	865,9	852,2	1,60%
Av. Exp. per. prescription (€) *	10,77	10,68	0,86%

*VAT included

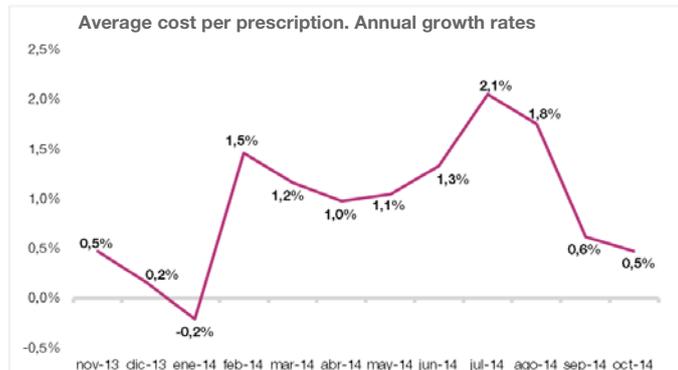
Public Pharmaceutical expenditure remains immersed in a deceleration process that started in June. In just four months, the growth rate of accumulated expenditure to 12 months has dropped by -1.7%, going from +4.2% in June 2014 to a registered +2.5% in October. In turn, it is foreseeable that this deceleration process will continue during the next few months and that the year will close with a growth rate of around +1.4%

Deceleration of the public pharmaceutical growth rate will continue through 2015 and it is expected that at the end of the 1Q, it will register less than +1%.

On the other hand, and as shown in the following chart, from April, prescription demand shows a very slight growth. In fact, the average annual growth rate for the last 6-months has been +0.4%, which gives us an idea of how the prescription demand containment -brought about by regulatory measures- is affecting the demand of medicines in the sector.



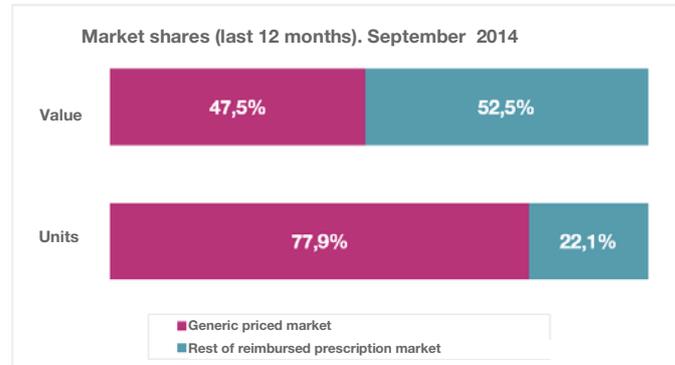
Similar to what has been happening to pharmaceutical expenditure, it is probable that the deceleration of prescriptions to 12-months continues throughout 2015 and it is likely that this variable reaches negative rates by the end of the first quarter of 2015.



Where average expenditure per prescription is concerned, we are starting to see signs of the impact the Reference Price Order has had on the public pharma expenditure and this has been reflected since September.

As shown in the previous chart, the average growth rate has clearly gone above +1% during the first 8 months in 2014, growing at around +0.5% in the first few months of the 4Q, a consolidation of this trend is expected and this may intensify in the last few months of the year, and during 2015.

Finally, data from the IMS covering the 12-month period ending September 2014 shows the whole of the medicines market with generic prices reached 77.9% of the total prescription market in units in Spain, and 47.5% of said market value.



Source: Farmaindustria estimates from IMS
Note: prescription market net from rebates established in RDLs 8/2010 and 9/2011

Spain is one of the countries in the Euro zone that has lowest average prices on medicines and lowest unit consumption of medicines per capita

In recent years, important cost containment measures have been made on public pharmaceutical expenditure in Spain and have made this variable drop over 4 consecutive years (2010-2013) by -27% since its all time high in May 2010; traditionally the above expenditure is on an upward trend due to demographics and an aging population.

These measures (rebates of 4%, 7.5% y 15% for those medicines not included in the RPS) have affected: the average expenditure per prescription, individual price reductions, the new pharma co-payment scheme, setting new lower prices and further reductions for homogenous groups and an updated RPS, etc.

As a result of the above, approximately one third of the fall in public pharma expenditure (-27%) explains the low prescription consumption and the other remaining two-thirds explain the fall in average expenditure per prescription.

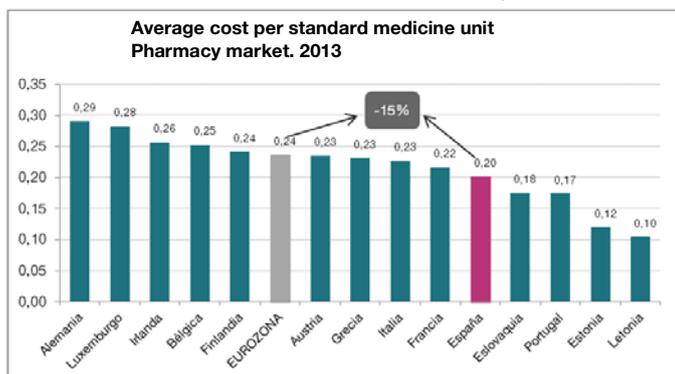
According to information provided by OECD and other organizations and referring to 2012, it seems that public pharmaceutical expenditure adjustments carried out in Spain in recent years have been of a greater amount than those registered in other European countries.

Although there is no comparable international data available on average expenditure per prescription, neither prescriptions per person, it is possible to work out an international comparative on average prices and units consumed by using information provided by IMS ¹ on medicines dispensed at pharmacies in the main European countries.²

¹ IMS Health MIDAS Database. Mercado retail.

² The Euro zone countries are used as reference, except Cyprus, Slovenia, Holland and Malta, so that IMS MIDAS doesn't offer data from the retail market, to avoid price distortions stemming from fluctuations in exchange rates.

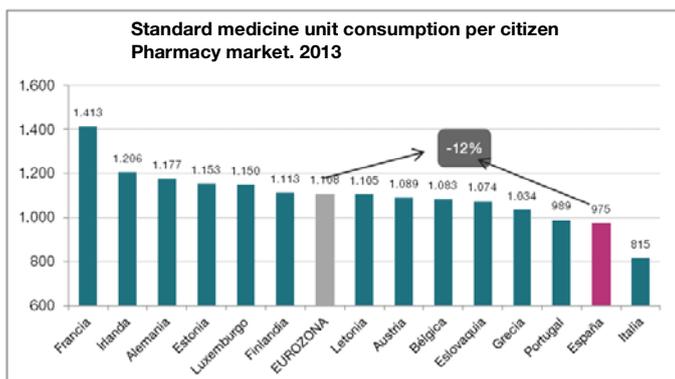
Results of the comparative on average prices by standard ³ medicine units dispensed in different Euro zone country are shown in the follow chart; these results correspond to 2013.



Source: Farmaindustria from IMS Health MIDAS

As you can see in the above chart, Spain holds one of the lowest positions where international pricing is concerned with an average price -15% lower than in the Euro zone countries. Only Slovakia, Portugal, Estonia and Lithuania registered average prices for standard units lower than Spain in 2013.

In turn, when analysing the average consumption per person with standard units in the above-mentioned countries, Spain holds the penultimate position, one above Italy. (See the below chart).



Source: Farmaindustria from IMS Health MIDAS and Eurostat

Thus, the Spanish pharmaceutical market holds one of the lower positions amongst the Euro zone countries, not only in consumption of units per person sold at pharmacies, but also in average prices of medicine units.

These figures show that adjustments carried out on the Spanish pharmaceutical market by means of various regulations over the last 4-years has noticeably affected Spain's position in the international arena.

Nearly 80% of medicines financed by the NHS have the same price as generics

Medicine prices in our country are subject to strict regulatory control that places them among the lowest priced medicines in Europe. (As described above.)

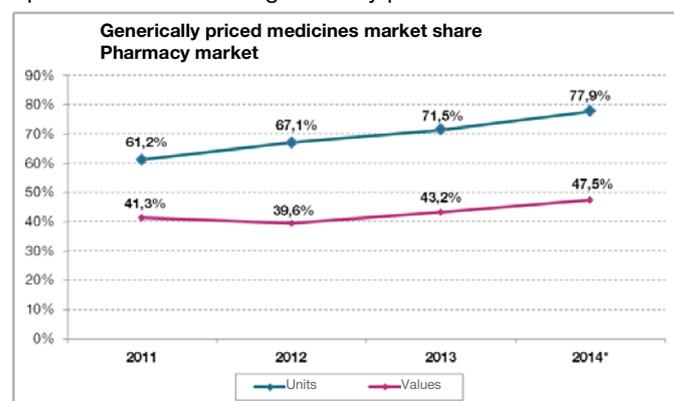
Price regulation in Spain affects patented medicines and medicines with expired protection of industrial property rights. In

the latter, price regulations are carried out by both the Homogenous Groups (HG) and the Reference Price System (RPS).

In the HG spectrum, products are subject to a monthly price review that obliges them to align their prices with the lowest price offered by their competitors in the same HG (mainly generics) if they want their products to be dispensed with a prescription by INN.

Where the RPS is concerned, the groupings of medicines are larger and, in many cases, the price revisions are more important. The price revisions are annual, taking as a reference price the lowest defined daily dose (DDD) of those products integrated in each group and in the majority of cases, these are generics too.

The heavy impact this double pricing regulation mechanism has on prices of those products with expired patents (HG y RPS) and the alignment of pricing that takes place makes it understood that the medicines market with expired patents in Spain is known as the "generically priced market".



(*) 12 months, September 2014
Source: Farmaindustria from IMS data. Total prescription market net of rebates

As shown in the above chart, the market with generic prices possesses 80% of the prescription market in Spain and 47% of said market in value, after having gone through very noticeable growth over recent years.

In this sense, 8 out of 10 prescription medicines in Spain – which means almost 50% of sales- have prices that match a generic and that are subject to a dynamic competitive system of price reductions and alignments of prices to the lowest price in its category if they want to be dispensed in the public healthcare system.

³ The standard unit eliminates distortions that could be introduced in the comparative of average prices due to the existence of differences between country consumption relative to different formats or doses of the same medicine.

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