The Economic Bulletin

THE MEDICINES MARKET IN SPAIN

Nº 122

farmaindustria

Market evolution

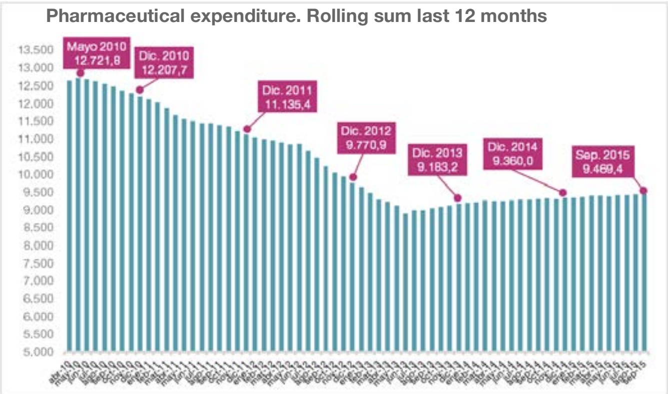
Public Pharmaceutical Expenditure (pharmacies)

	Oct. 2014-Sep. 2015	Oct. 2013-Sep. 2014	% var. 2015/14
Exp. (€ Mill.) *	9.469,4	9.318,5	1,62%
Prescrip. (Millions)	879,3	865,7	1,57%
Av. Exp. per. prescription (€) *	10,77	10,76	0,05%

*VAT included

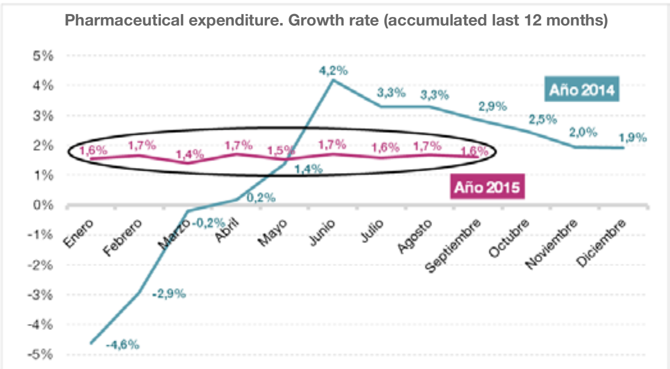
Data from the Ministry of Health, Social Services and Equality shows that in September, public pharmaceutical expenditure at pharmacies experienced a growth of +1.62% compared to the same month in 2014. This variation in expenditure is due to a rise in the number of prescriptions (+1.57%) and an increase in the average price of prescriptions (+0.05%).

The accumulated expenditure in the 12-month period to September 2015 was -3,252M€ lower than the recorded high in May 2010 (a -25.6% lower), See the below chart.

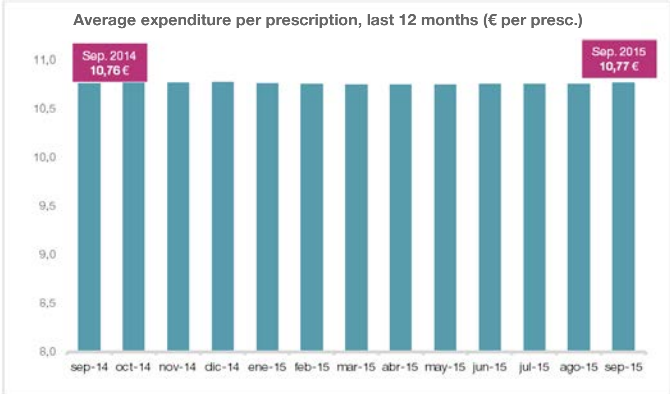


Fuente: MSSSI

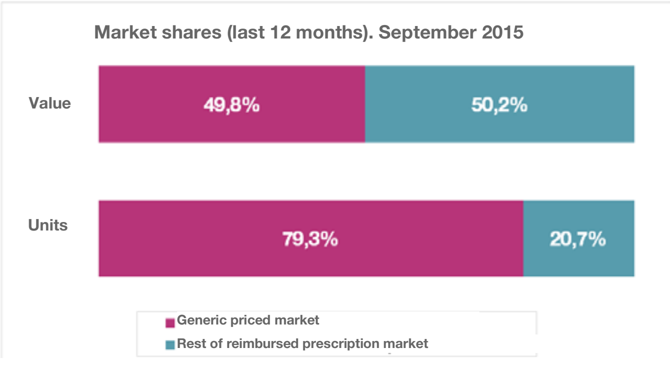
At the end of the third quarter it is worth highlighting that the growth rate in public pharmaceutical expenditure in the12-month period has been very stable. It ranged from 0.3 percentage points in 2015 (between +1.4% and +1.7%) compared to the stronger variations which occurred during 2014 registering 4.6% in January 2014 and +4.2% in June; covering a range of almost 9 percentage points.



Although there are some seasonal variations, especially the different number of days in November compared to November 2014, but also because it was the month prior to the Reference Price Order coming into effect, and a stable growth rate of expenditure for public pharmaceutical medicines in pharmacies is expected to remain this way. In fact, Farmaindustria's forecast for the yearend is for a growth of around +1.5% in pharmacies, lower than the +1.9% registered in 2014, brought about exclusively by the growth on the demand side of prescriptions, given that the evolution of average expenditure per prescription in 2015 is expected to be close to zero, or even reaching a slightly negative figure.



Finally, data from the IMS for September 2015 shows that the whole of the medicines market with generic prices reached 79.3% of the total prescription market in units in Spain, and 49.8% of said market value.



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

The average price of medicines in Spain dispensed at pharmacies is among the lowest in Europe

Adopted measures in pharmaceutical policies in Spain over the last few years have been framed within the whole package of measures aimed to help reduce public deficit and to adjust Public Administration's outgoings to its reduced incomings as a consequence of the economic crisis.

The raft of measures have been particularly intense for the pharmaceutical sector, especially since 2010 causing the NHS' public pharma expenditure of medicines in pharmacies register falls in prices during four consecutive years between 2010 and 2013.

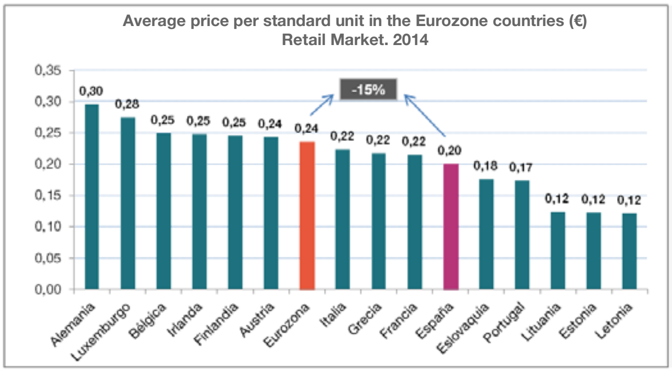
This trend was broken in 2014, albeit with a very modest growth in expenditure of +1.9%; which is actually the lowest growth in public pharma expenditure recorded since at least 1983.

As a consequence of the above, public pharma expenditure in NHS prescriptions has fallen by -26.4% since its all time high of May 2010, up until December 2014 (the latest registered tax year) which goes to show the magnitude the sector has suffered with these adjustments.

The greater part of the Governments' adjustments have particularly hit hard on medicine prices through certain adopted measures: i) rebates of 4%, 7.5% and 15% for medicines not subject to the reference price system; ii) individual price cuts; iii) establishing lower prices and even minor ones for homogenously grouped medicines, and iv) the reference priced system was updated and has been expanded.

The aforementioned actions have produced a fall in the average expenditure per prescription of -19.5% between 2009 and 2014; specifically from 13.39€ per prescription in December 2009 to 10.78€ in December 2014. Without doubt, this is a tough adjustment affecting each prescription (-2-61€), however it is necessary to put it in context and review what Spain's relative situation currently is, compared to our European neighbours as far as prescription expenditure is concerned.

Although there aren't international figures to compare the average cost per prescription, it is possible to carry out, as an estimate, an international comparative of average prices for units consumed through data from the IMS[1] for the medicines market where dispensing occurs in pharmacies in the main Euro zone countries.[2]



Source: Farmaindustria, from IMS MIDAS and Eurostat

The above chart shows the average price per standard unit in the main Euro zone countries in 2014.[3]

As you can appreciate, Spain is one of the countries that has a low average price per standard unit, ranking -15% below the average country in the Euro zone; only Slovakia, Portugal and the Baltic republics Estonia, Latvia, Lithuania have lower average prices per standard unit than Spain.

Medicine sales per capita at pharmacies in Spain are amongst the three lowest in the Euro Zone.

There are factors such as the rise in life expectancy, the progressive increase in the average age of the population or in some cases, what would have been classed as terminal illnesses have become chronic illnesses. These factors make the demand side on medicines have an upward trend, in spite of the slight downturn of the Spanish population in recent years.

In turn, until the RD Law 16/2012 came into force in July 2012, medicines were free of charge for pensioners and this was another factor that influenced the increase in the demand of medicines in Spain.

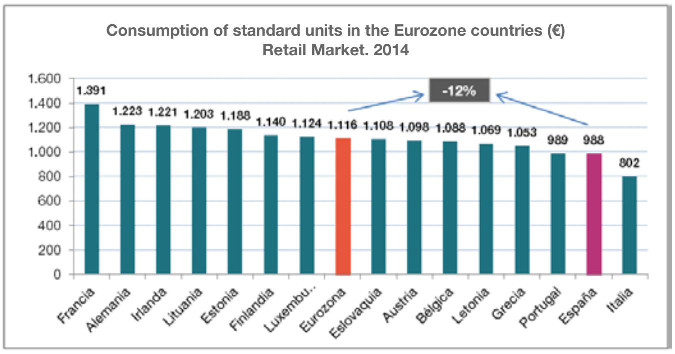
When RD Law 16/2012 came into effect, measures were introduced that had a strong impact on the demand side of medicines, such as: i) a new pharmaceutical co-payment system where, apart from other changes, pensioners had to pay 10% of the financed price, with certain monthly ceilings, depending on their income/pension, and ii) the de-listing of 417 medicines that were previously prescribed for minor symptoms.

These measures have proven to be very effective in reducing the demand side of medicines and have managed to bring the maximum demand (accumulated in a 12-month period) of 984.3 million prescriptions in June 2012 -the month prior to this RDL coming into effect- to 879.3 million registered in September (accumulated in a 12-month period); an annual reduction of 105 million prescriptions, i.e. almost -11% less.

Also in this case, it is appropriate to contextualize the decrease in the demand side of prescriptions and study Spain's relative situation compared to its European neighbours. With this in mind, we are looking at the number of dispensed prescriptions, financed by the NHS, in the Euro zone.

Once again we are faced with the problem of not having international comparable data available from the different healthcare systems.

However, as in previous cases, it is possible to carry out an approximation using data sourced by the IMS[4] for the medicines market dispensed in pharmacies. The results of this study, shown in the following chart reflect the demand of standard units[5] per person in the main countries in the Euro zone.[6]



Source: Farmaindustria, from IMS MIDAS and Eurostat

As you can see from the above chart, Spain is currently the second to last country in the Euro zone with the least demand on medicines at pharmacies per person, following Portugal with a differential of -12% with respect to the average demand on standard units per person in the Euro zone and almost a -30% lower than France, the country with the highest demand per person.

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1 IMS Health MIDAS Database. Retail market.

2 Eurozone countries are taken as a reference (with the exception of Cyprus, Netherlands and Malta, for which IMS MIDAS does not offer data of their retails markets) in order to avoid distortions in prices derived from eventual fluctuations in exchange rates.

3 For reference purposes consumption in terms of standards units versus physical units considered, with the sole objective of eliminating the distortions that might be introduced in the benchmark exercise the fact that there might be differences between countries with regards to dosage or different formats of the same medicine.

4 See footnote 1.

5 See footnote 3.

6 See footnote 2.

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