

# The Economic Bulletin

**THE MEDICINES MARKET  
IN SPAIN**

Nº 123

## Market evolution

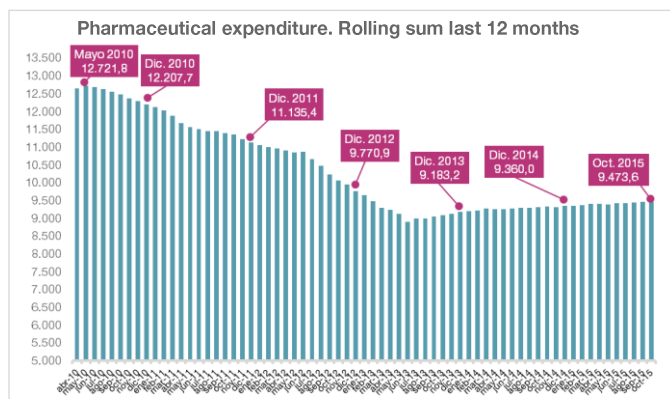
### Public Pharmaceutical Expenditure (pharmacies)

	Nov. 2014- Oct. 2015	Nov. 2013- Oct. 2014	% var. 2015/14
Exp. (€ Mill.) *	9.473,6	9.323,5	1,61%
Prescrip. (Millions)	878,2	865,9	1,42%
Av. Exp. per. prescription (€) *	10,79	10,77	0,19%

\*VAT included

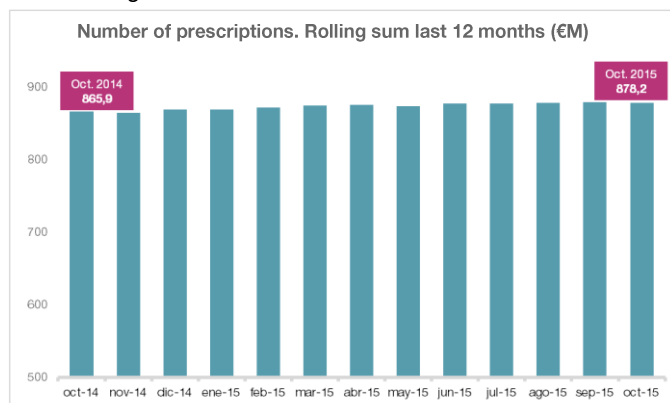
Data from the Ministry of Health, Social Services and Equality shows that in October, public pharmaceutical expenditure at pharmacies experienced a growth of +1.6% compared to the same month in 2014. This variation in expenditure is due to a rise in the number of prescriptions (+1.4%) and an increase in the average price of prescriptions (+0.2%).

The accumulated expenditure in the 12-month period to October 2015 was -3,248M€ lower than the recorded high in May 2010 (a -25.5% lower); see the below chart.



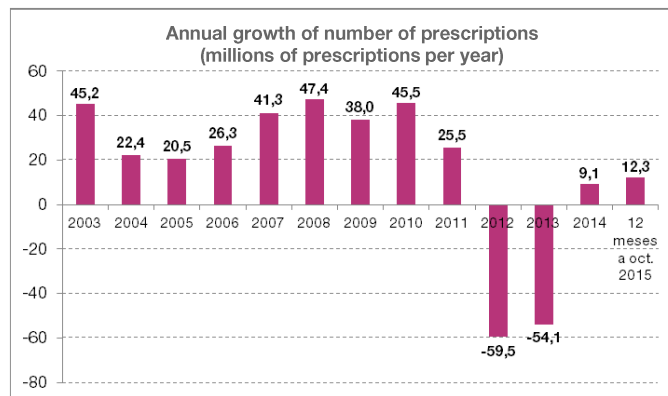
Fuente: MSSSI

Even though in the last few months this variable has been the most influential of variables in the moderate growth of public pharmaceutical expenditure in Spain, it is worth noting the stagnation that has come about on the demand side of financed prescriptions and between October 2014 and October 2015 the increase was barely 12M prescriptions, as shown in the following chart.



Currently, the rhythm of growth on the demand side of NHS prescriptions scarcely goes over 12M (extra) prescriptions on average p.a. This rhythm is well below what our country registered before the coming into force of Real Decree Law 16/2012 that, among other dispositions, modified the pharmaceutical co-payment system and implemented the de-listing of more than 400 medicines for minor symptoms.

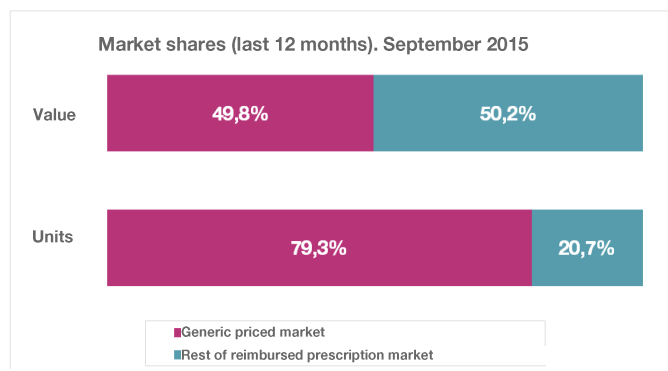
As shown in the following chart, during the period 2003-2011 the average annual growth of demand on prescriptions ranged from between +20.5 million in 2005 and +47.4 million in 2008, giving an average of close to +35 million prescriptions each year in this period. After the RDL 16/2012 came into force, this rhythm has moderated noticeably to around +10 / +12 million extra prescriptions per year.



Source: Farmaindustria from MoH data

As explained in previous bulletins, the knock-on effects of the pharmaceutical co-payment reform haven't only translated in a one-off reduction of volume of prescriptions in Spain, but also in producing a structural change in the demand-side of prescriptions given that the growth rate has dropped substantially.

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

## Private spending on pharmaceutical products implies a 0.7% of the total spending per habitant in Spain

Recently the results of the Family Budgeting Survey (Encuesta de Presupuestos Familiares (EPF)) for 2014 were published. The National Institute of Statistics (INE) publishes these annually and it allows us to see the estimate expenses carried out in Spanish households; both global results and those broken down into sections.

In turn, the above results are used as a base, not only for the calculation of household expenditure which is reflected in the National Accounts, but also to fix the weighting structure of the IPC basket.

The latest figures published show the average annual spending per household was 27,038€ in 2014. The main expenditure items were: i) "housing, water, electricity, gas and other combustibles" which was 32.4% of the average household expenditure; ii) food and non-alcoholic beverages, 14,9%; iii) "transport", an 11,9% of the average household expenditure and iv) "hotels, cafés and restaurants" an 8.6% of household expenditure.

On the other hand, the expenditure pertaining to the item "health" –which is where medicines come under– takes 9<sup>th</sup> position of the 12 categories and represents a 3.5% of the average annual expenditure per household; i.e. 955€ p.a.

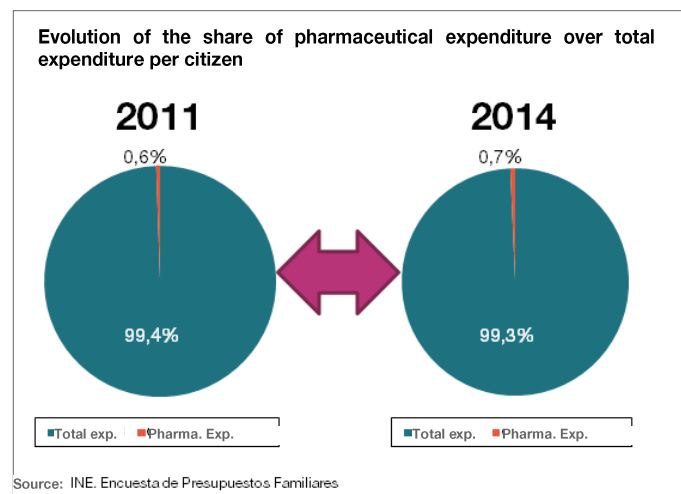
A study of expenditure under the heading "health" (which has a greater level of items belonging to it) allows us to verify the average expenditure in pharmaceutical products was 192€ per household in 2014, which implies 20% of all the health expenditure and 0.7% expenditure in the total household accounts.

According to the National Institute of Statistics, expenditure in pharmaceutical products is made up of the following items:

"Medicines and medical preparations (patented), drips, vaccines, vitamins, minerals, cod liver oil and halibut, bicarbonate, anti-contraceptive pills, etc" and it includes all household expenditure in medicines (prescription or OTC) as private expenses, not NHS. Also included are the co-payments made by citizens acquiring NHS financed medicines, but not the part of the price that is financed by the State.

If the results are expressed in per capita terms and not by household, then expenditure on "pharmaceutical products" was 76.3€ per capita in Spain in 2014, a 5.1% lower than the same figure registered in 2013.<sup>1</sup>

The following chart shows the comparative of the situation in 2011 (prior to the implementation of the reform of the co-payment system and the de-listing of 417 medicines for minor symptoms) and the current situation in terms of percentage of total expenditure per capita spent on acquiring pharmaceutical products.



As you can see, personal spending on pharmaceutical products represents a very similar percentage to the total expenditure in households during both moments; 0.7% in 2014, faced with 0.6% in 2011.

<sup>1</sup> Let us remember that 2013 was the first year the co-pay structure was incorporated completely, not only the new co-pay structure on medicines, but also the delisting of medicines for minor symptoms as established in RDL 16/2012,; it was put into practice in July and September of 2012, respectively.

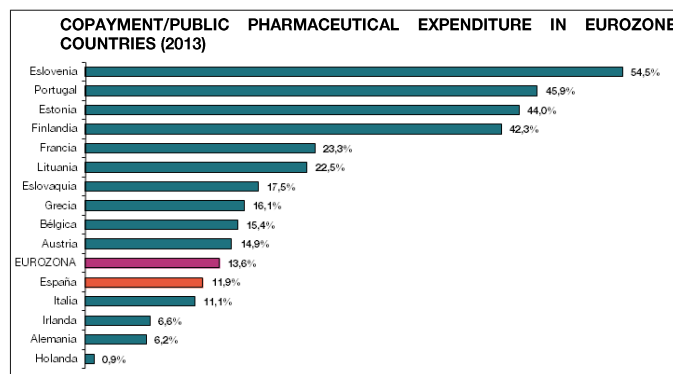
The average expenditure in pharmaceutical products per inhabitant (76,3€) is actually at a similar level as landline costs (76,5€) or to recreational services and sports (68,5€) and is very much lower than the annual expenditure per inhabitant in the following: i) hairdressing and aesthetics, ii) tobacco products (120,9€); iii) mobile phones (151,6€); iv) personal care products (153,6€); v) lunches and dinners at restaurants (221,9€ per capita), and vi) consumptions in bars and cafés (442,6€).

## Patient's payment contributions related to pharmaceutical expenditure in Spain is somewhat lower than the average in the Eurozone.

The study carried out and mentioned in the above article refers to all private expenditure on medicines in Spanish households, and, as explained, within these private expenses are also included contributions by patients towards NHS prescriptions, commonly known as co-payments.

With the aim of guaranteeing sustainability in the NHS and with the modified RDL 16/2012, the relevance of co-payments in pharmaceutical invoicing changed structurally. From July 2012, the abovementioned normative, -among other modifications-, was the pensioners' obligation to contribute 10% of the amount of the medicines dispensed, financed by the NHS (with certain monthly ceilings depending on income) and a higher contribution for those whose income is over 18,000€ p.a. of up to 50% or 60% of the ex-factory price.


Data corresponding to the first full year with this new co-payment structure (2013) shows that according to Farmaindustria's estimates, and as shown in the below chart, patients' contributions in said year was 11.9% of pharmaceutical expenditure in the NHS, a ratio that is close to the average in other Eurozone countries.




Note: Luxembourg, Ireland and Portugal data correspond to 2012  
Source: Farmaindustria from EFPIA, OECD Stat Extracts. MoH, Pharmacists and copaymentalidades estimations by insurance companies

Notwithstanding, one should bear in mind the estimated data for Spain does not take into account any returns carried out by autonomous health services after those pensioners had reached the monthly ceiling, and therefore the final data of co-payments in 2013 will be somewhat lower to that shown in the above chart precisely due to the returns effect.

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