

The Economic Bulletin

THE MEDICINES MARKET
IN SPAIN

Nº 125

Market evolución

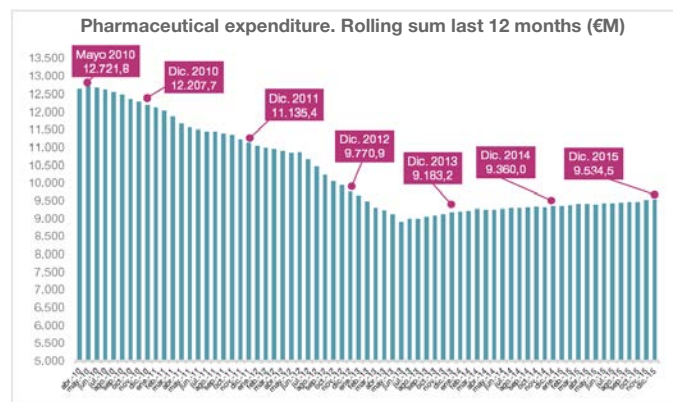
Public Pharmaceutical Expenditure (pharmacies)

	Ene. 2015- Dic. 2015	Ene. 2014- Dic. 2014	% var. 2015/14
Exp. (€ Mill.) *	9.534,5	9.360,5	1,86%
Prescrip. (Millions)	882,0	868,6	1,55%
Av. Exp. per. prescription (€) *	10,81	10,78	0,31%

*VAT included

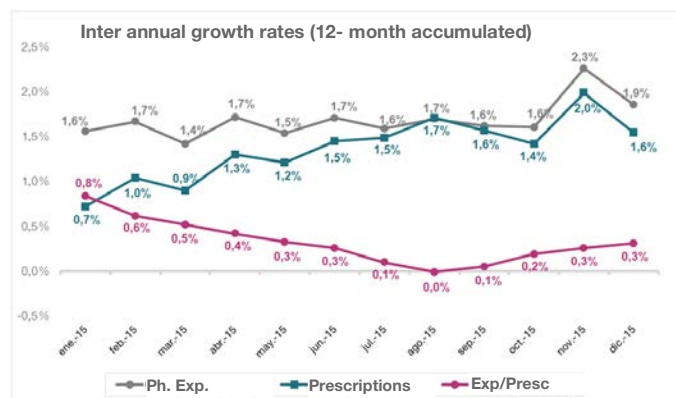
Data from the Ministry of Health, Social Services and Equality shows that last December, public pharmaceutical expenditure at pharmacies experienced a growth of +1.86% in 2015 compared to the 2014 figure. This variation in expenditure is due to a rise in the number of prescriptions (+1.55%) and an increase in the average price of prescriptions (+0.31%).

The accumulated expenditure of 2015 was -3,187M€ lower than the recorded high in May 2010 (a -25.1% lower); as shown in the below chart.



Fuente: MSSSI

As was expected, the 12-month accumulated growth rate peak registered in November –both for public pharmaceutical expenditure and the demand on prescriptions- later fell in December, given that said peak was due to a temporary situation brought about by i) a greater number of days in November 2015 to November 2014 and ii) it was the month prior to the coming into force -expense wise- of the Reference Price System Order 2015.

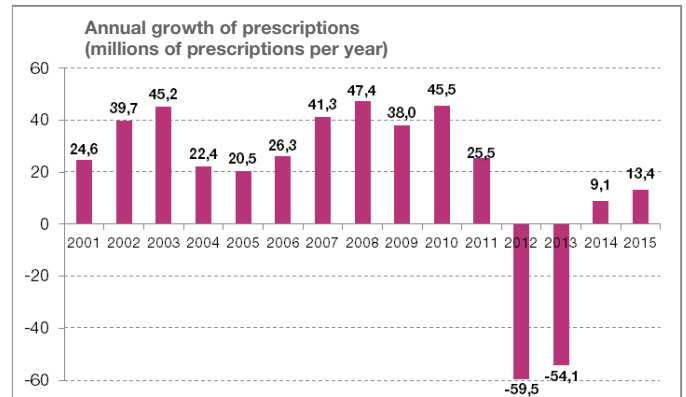


As you can appreciate in the above chart, the variable that indicates the evolution of public pharmaceutical expenditure is the demand on prescriptions. Therefore, out of the 1.9 percentage points of expenditure increase registered in 2015, 1.6 points (almost 85%) are due to the increase in volume of prescription demand.

In turn, the registered increase in prescriptions in 2015 (once the statistical effects were absorbed) for the co-payment of medicines and the delisting of medicines for minor symptoms (RD 16/2012)-, showed that the demand side of prescriptions

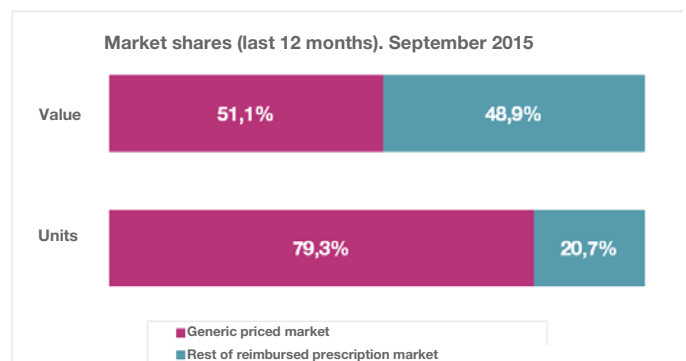
increased once again in Spain, although the growth rhythm is much lower than that registered during 2000-2010.

As shown in the following chart, while the average annual increase on prescription demand in Spain during 2001-2011 was around +34 million prescriptions a year (prior to the aforementioned measures), prescription demand over the last few years has only increased by +9.1 million in 2014 and 13.4 million in 2015, proving that said measures were efficient, not only to reduce the total volume of prescriptions, but that they also moderated the growth rate on the demand of prescriptions in Spain.



Fuente: Análisis Farmaindustria a partir de datos MSSSI

Finally, data from the IMS in December 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 51.1% of said market value



Source: Farmaindustria estimates from IMS

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

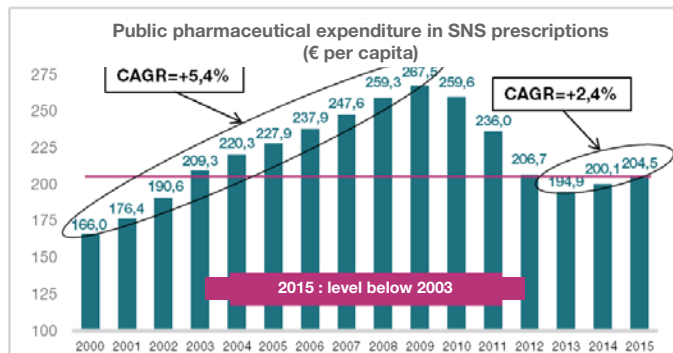
Public pharmaceutical expenditure evolution of official SNS prescriptions during 2015

In 2015, a new situation was seen where a slight increase in public pharmaceutical growth of official SNS prescriptions appears to have consolidated. This follows four consecutive years of noticeable falls (2010-2013) where public pharmaceutical expenditure was reduced by -27%; 2014 however registered a slight growth of +1.93% and 2015 a growth of +1.86%

Notwithstanding, the 9,524.5 M€ figure registered at the year end 2015 leaves the public pharmaceutical growth of official NH prescriptions far from the recorded high in May 2010 (12,721.8 M€). Consequently in 2015 expenditure was -3,187.3 M€ lower than the mentioned maximum by a -25%.

Where per capita is concerned, the increase in pharmaceutical expenditure in 2015 was +2.18%; somewhat higher than the increase in absolute terms as a consequence of the fall in the

population (approx. 150,000 people, according to the INE (Institute of National Statistics)).

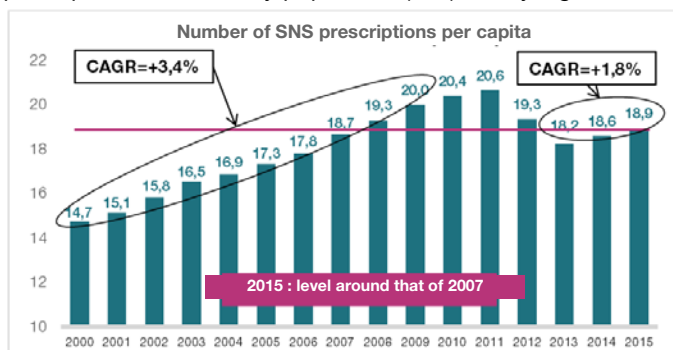


Fuente: Análisis Farmaindustria a partir de información de MSSSI e INE
Nota: CAGR: Compound Annual Growth Rate (Tasa de Crecimiento Anual Compuesto)

As shown in the above chart, public pharmaceutical expenditure per capita in Spain in 2015 reflects levels lower than those registered in 2003, 12-years ago. Furthermore, the new trend of growth for the public pharmaceutical market in Spain is noticeably lower than that registered during the first decade in the 21st century, before the coming into force of RD law 8/2010, the first of 3 Decree Laws that structurally changed the performance of public pharmaceutical spending in our country. In fact, during 2000-2010, the average growth rate of public pharmaceutical expenditure per capita of official NH prescriptions was +5.4% per annum, and in the last two years (2014-2015) the average growth rate of public pharmaceutical expenditure per capita has been +2,4% annually.

When we breakdown the per capita spending into the two fundamental elements: prescription demand per capita and average expenditure per prescription, we can verify that both factors have experienced similar tendencies.

Thus, at the year-end 2015, the demand side registered 18.9 prescriptions per capita, a demand similar to 2007 when it registered 18.7. This similarity happens even when the Spanish elderly population of over 65 years increases by more than one million people between both of these years (7.53 million in 2007 and 8.57 million in 2015). It is important to highlight this fact given that the correlation between prescription demand per capita and the elderly population (65+) is very high.

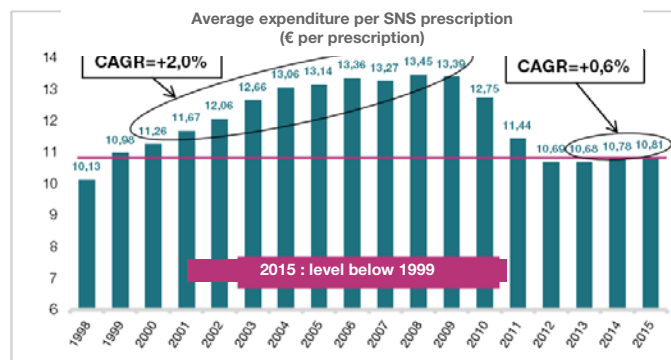


Fuente: Análisis Farmaindustria a partir de información de MSSSI e INE
Nota: CAGR: Compound Annual Growth Rate (Tasa de Crecimiento Anual Compuesto)

In the same way, and shown in the above chart, the growth rate on the demand of prescriptions in per capita terms (thus eliminating the effect of the population variations on the absolute demand of prescriptions) has been noticeably lower in the last few years than that registered in the period 2000-2010.

As mentioned in the first article of this Bulletin, there are important facts to recall, the changes made to the pharmaceutical co-pay regime and the delisting of medicines for minor symptoms, both brought into effect by RD 16/2012.

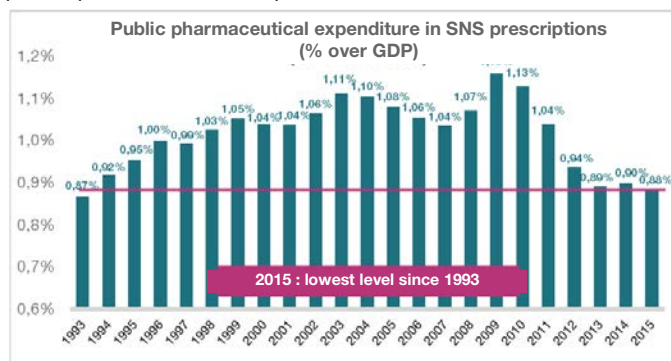
Where the average expenditure per prescription in 2015 is concerned, the year ended with a slight increase of +0.31% with respect to 2014; an increase that would have been lower if the Reference Price Order had come into effect in September, rather than with a 3-month delay until December. (There was a RPO in September 2014.)



Fuente: Análisis Farmaindustria a partir de MSSSI
Nota: CAGR: Compound Annual Growth Rate (Tasa de Crecimiento Anual Compuesto)

As shown in the above chart, the average amount paid by the State, i.e. 10.81€ for each prescription charged to the SNS, reached average expenditure levels lower than those in 1999 (some 16 years ago). In turn and in the same way that happened to the pharmaceutical expenditure per capita and prescription demand per capita, the trend of average growth rate per prescription is actually far lower than that registered during the period 2000-2010, which goes to show the great impact the Reference Pricing System and the Homogenous Grouping System have as moderators in the growth rate of average price of medicines, similarly, the deductions made of 4%, 7.5% and 15% applied to public administration's purchasing of drugs not subject to the RPS.

Finally, it is also worth showing the evolution of the public pharmaceutical expenditure in official SNS prescriptions in 2015 as a percentage of Spanish GDP, given that this is a fundamental ratio to evaluate the economic sustainability of public pharmaceutical expenditure in the medium term.




Fuente: Análisis Farmaindustria a partir de información de MSSSI, Eurostat e INE

As you can see in the above chart, the ratio public pharmaceutical expenditure in official SNS prescriptions over Spanish GDP has carried on falling in 2015 until it reached 0.88%. This figure is the lowest on record since 1993 (23 years ago) when public pharmaceutical expenditure reached 0.87% of Spanish GDP.

Summing up, after the substantial fall experienced on expenditure during 2010-2013, a slight increase in growth (less than +2% annually) of public pharmaceutical expenditure on official NH prescriptions has been registered. Notwithstanding, analysts forecast the growth rate over the next few years to be close to +1% per annum, or even lower.

farmaindustria

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

 Telephone: +34 91 515 93 50

 farmaindustria@farmaindustria.es

 facebook.com/farmaindustria

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