

The Economic Bulletin

**THE MEDICINES MARKET
IN SPAIN**

Nº 127

Market development

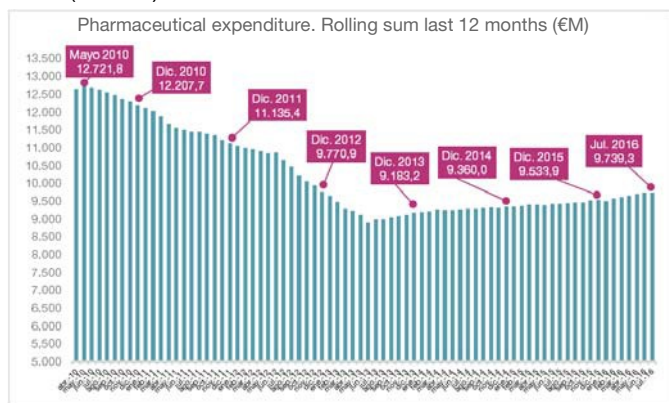
Public pharmaceutical expenditure (pharmacies)

| | Ago. 2015- Jul. 2016 | Ago. 2014- Jul. 2015 | % var. 2016/15 |
|----------------------------------|-------------------------|-------------------------|-------------------|
| Exp. (€ Mill.) * | 9.739,3 | 9.436,7 | 3,21% |
| Prescrip. (Millions) | 891,3 | 877,3 | 1,59% |
| Av. Exp. per. prescription (€) * | 10,93 | 10,76 | 1,59% |

*VAT included

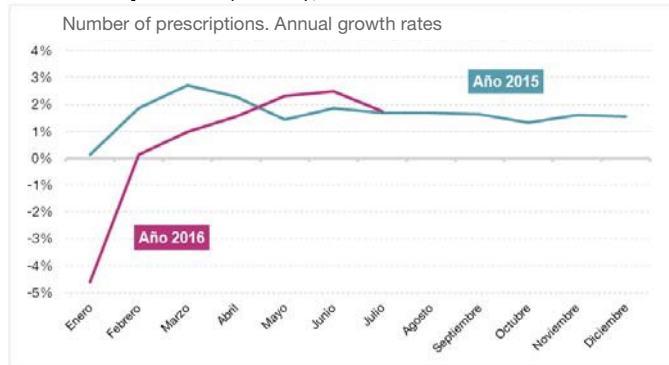
Data from the Ministry of Health, Social Services and Equality concerning last July show an increase in public pharmaceutical expenditure in pharmacies accumulated over 12 months, and it is up by 3.2% compared to the spending figure recorded in the same month of 2015. This increase in spending is a result of an increase in the number of prescriptions of +1.59% and an increase in average cost per prescription also up by 1.59%.

The accumulated spending over 12 months, recorded last July, (see chart below) is €2,983,000 below the record level in May 2010 (-23.4%).



Fuente: Farmaindustria a partir de MSSSI

If prescription use is analyzed in its accumulated rate in year 1, you can verify that it is producing a clear alignment of values that were recorded in 2015, with very similar growth rates. In fact, the rate from July 2016 (1.77%) is virtually the same as that of July 2015 (1.70%), as shown in the chart below.



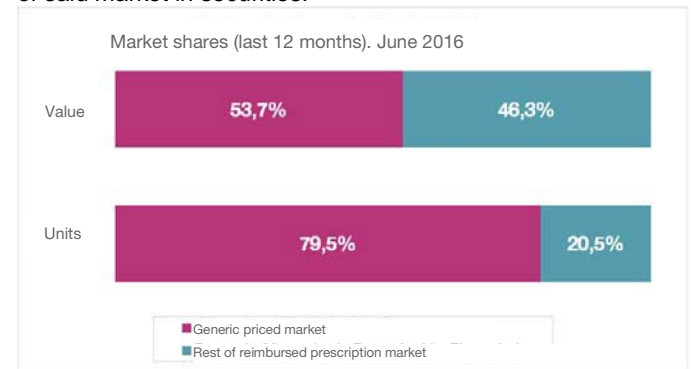
Fuente: Farmaindustria a partir de información de MSSSI

This does not imply that there are no significant differences in the behaviour of both series, but its development at the end of 2016 will probably not differ significantly with respect to the rate in which it ended in 2015.

¹ This would be, for example, the rate for the month of February 2016 showing the change in prescription usage in the period January-February 2016 compared to prescription usage in the period of January-February 2015; or the rate of June 2016 would indicate the change in consumption of recipes in the January-June period 2016 compared to January-June 2015 period.

However, there are some facts that may affect the development of the series of demand for prescriptions in the coming months, including policies of some Spanish Regions to annul pharmaceutical co-payments to certain groups of the population or lessen its impact, which can eliminate, or significantly reduce, within their territory, the slowing down of prescription usage which the system modification of pharmaceutical copayments introduced in July 2012.

Finally, and with information from IMS, in June 2016 the Market for all Generically Priced Medicines reached 79.5% of the total market for units of financed prescriptions in Spain and 53.7 % of said market in securities.



Source: Farmaindustria estimates from IMS

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

The average price of drugs dispensed in pharmacies in Spain is amongst the lowest in Europe

In April 2009, and given the existing budgetary imbalance in our country, the European Commission decided to subject Spain to an excessive deficit procedure where a demanding deficit reduction path would be established where, if not met, could result in economic sanctions.

From that moment on, the Spanish government agencies have focused their efforts in reducing the gap between income and expenditure, adopting measures of economic policies, including health policy.

These health policy measures have been particularly intense in the pharmaceutical sector, especially since 2010, which has seen, over four consecutive years between 2010 and 2013, a drop in the Sistema Nacional de Salud (SNS) spending on drugs. This trend was broken in 2014 and 2015, although in both cases with very moderate growth (up by 1.9%), the lowest recorded by the public pharmaceutical spending, at least since 1983.

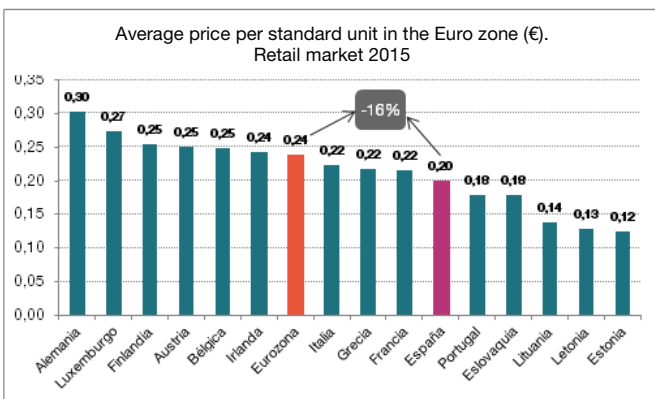
As a result of the above, the pharmaceutical expenditure at the end of 2015 was 25.1% lower than the record high of May 2010, which highlights the magnitude of the adjustment suffered by the pharmaceutical sector.

Much of this adjustment has fallen on drug prices, through measures such as: i) establishment of deducting 4%, 7.5% and 15% for drugs not subject to the reference price system; ii) Individual price cuts; iii) establishment of pre- lower and lower prices for homogeneous groups, and iv) updating and expanding the scope of the system of reference prices.

The average cost per prescription fell in Spain from €13,39 in December 2009 to €10,81 per prescription in December 2015, a reduction of 19,3%.

In fact, spending €10.81 per prescription at the end of 2015 was lower than the cost per prescription that was recorded in Spain in 1999 (€10.98 per prescription), which is especially significant if the levels of efficiency and effectiveness of the medicines are compared at present with the situation 16 years ago.

However, to properly assess the magnitude of the adjustment made on the prices of medicines, it is important to analyze the relative situation of our country compared to other European countries in terms of average expenditure per prescription. Although there is no data from official sources, it is at least possible to make an international comparison of average prices per used unit using the information from the databases of the specialist company IMS.² This data is shown in the following graph and refers to market drugs dispensed through pharmacies in 2015 in major Euro Zone countries,³ and in terms of average price per standard unit dispensed.⁴



Fuente: Elaboración Farmaindustria a partir de IMS Health MIDAS

As shown in the graph above, Spain is one of the Euro Zone countries with the lowest average price per standard unit consumed, reaching -16% below the average of the Euro Zone. Only Portugal, Slovakia and the Baltic republics of Estonia, Latvia and Lithuania currently have an average price lower than the current standard unit in our country.

The consumption of medicines per capita in pharmacies in Spain is the lowest in the Euro Zone after Italy

In previous Economic Bulletins it has been shown how, according to OECD data, public pharmaceutical expenditure per capita in Spain in 2013 (latest data available) was a -25.3% lower than the average of the Euro Zone. In turn, it found that this difference had increased since 2010, the result of the intense containment measures on pharmaceutical spending implemented in our country since that date.

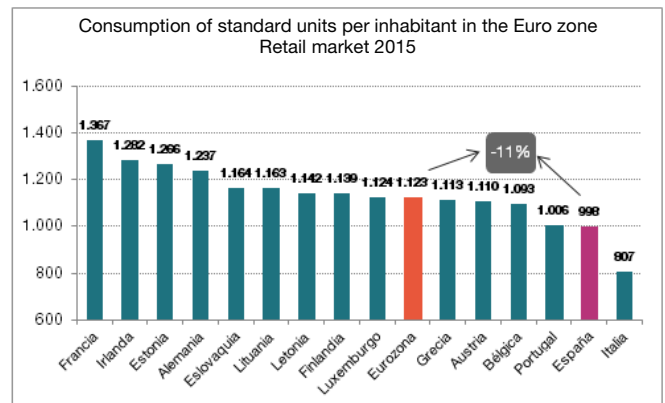
If in the above article the effects of drug policy measures on the prices of medicines from an international perspective were shown, this article will focus on the second variable which determines the evolution of pharmaceutical expenditure in pharmacies: the number of prescriptions.

It is a known fact that, in the development of the latter variable there are varying factors that significantly influence, among others, increased life expectancy, growth in the average age of the population or the chronification of certain prior deadly diseases. All these factors make the demand for drugs in our country and in other European societies have a growing structural trend.

In turn, until July 2012, the absence of pharmaceutical copayments for a group that was growing year after year as was that of the pensioners, also affecting the increase of the quantity of drugs in demand in our country. However, the Royal Decree-Law 16/2012, introduced measures that had a strong impact on the demand for drugs such as: i) a new scheme of pharmaceutical copayments in which, among other changes, pensioners were paying 10% of the price of subsidised medicines, with certain maximum monthly caps of financial support based on their income, and ii) the de-funding of 417 medicines for minor syndromes.

These measures were very effective in reducing the demand for medicines as they ensured that prescription usage went down from the nearly 1,000 million a year in June 2012 (the new copayment scheme came into force the month before) to 882 million recipes which ended 2015.

Again, if we make a comparative analysis of international prescription use per capita, we find an almost total absence of official data; however, as with the analysis of the average prices, we can turn to the proxy of the IMS database, referred to and used in the previous article in this Boletín.⁶ The data refers to 2015 and the pharmacy market, and are expressed in terms of usage per standard unit⁷ in the main countries of the Euro Zone⁸. The results of the analysis are shown in the chart below:



Fuente: Elaboración Farmaindustria a partir de IMS Health MIDAS y Eurostat

As you can see, Spain is now, after Italy, the Euro zone country with the lowest annual consumption of medicines per pharmacy, with a differential of -11% compared to the average consumption of standard unit ties per capita of the countries in the Eurozone.

² IMS Health MIDAS Database. Retail market.

³ Eurozone countries are used as a reference to avoid distortions in prices arising from possible fluctuations in exchange rates. No data for Cyprus, Slovenia, the Netherlands and Malta are included for lack of availability of these countries in the database of IMS MIDAS.

⁴ Consumption in terms of standard units and not physical units, is used as a reference, with the sole aim of eliminating distortions which the comparative would introduce and the fact that some differences between countries, in the consumption of dosages or formats different from one same drug, could exist.


⁵ More details can be found in the Boletín de Coyuntura nº 124.


⁶ See note on page 1.

⁷ See note on page 3.

⁸ See note on page 2.

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