

**AN EVALUATION OF THE IMPACT OF  
THE POST-PATENT PRICE CUT ON MEDICINES  
WHICH CAME INTO EFFECT WITH THE  
IPHA-HSE AGREEMENT 2006**



## SUMMARY

- In 2008, patent expired proprietary preparations with an available generic equivalent accounted for 25 per cent of prescription items and 19 per cent of expenditure (€163.36 million) on the GMS scheme.
- In September 2006, a post-patent price cut was introduced for medicines under certain agreed conditions (Clause 6.1 IPHA-HSE Agreement). The price cut occurs in two phases: the first cut of 20% was introduced in March 2007 and the second of 15% was implemented in January 2009. The post-patent price cuts were expected to achieve savings in the order of €300 million across the Community Drug Schemes and in the cost of drugs to hospitals over the duration of the Agreement.
- The objectives of this analysis were to calculate the actual and potential future savings generated on the General Medical Services (GMS), Drug Payment (DP) and Long Term Illness (LTI) schemes, as a result of the introduction of Clause 6.1 to the IPHA-HSE agreement from March 2007 to August 2010. The GMS, DP and LTI schemes account for approximately 85% of total pharmaceutical expenditure on the Community Drug Schemes.
- Actual savings on post-patent branded medicines from the 20% price reduction in March 2007 and the 15% reduction in January 2009 were calculated. Future savings on these medicines were estimated by extrapolating drug utilisation data from January 2009 until August 2010 using regression analysis. Savings from a reduction in the price of equivalent generic medicines were also estimated. Finally, potential savings from a 20% price cut on medicines whose patent is due to expire in 2009 or 2010 were estimated by analysing drug utilisation trends and using regression analysis to predict future drug utilisation until August 2010.
- A total of 81 medicines, which includes 267 different original brand preparations and 574 equivalent generic preparations, were subject to the 20% and 15% price reductions in March 2007 and January 2009 respectively. A further 20% price reduction was applied to 17 medicines in January 2009. A total of nineteen medicines are expected to be subject to the 20% price reduction between February 2009 and August 2010.

- **Total savings of €248.5 million (including 50% pharmacy mark-up) were estimated on the Community Drug Schemes**, based on actual and predicted future price cuts, post-patent expiry, between March 2007 and August 2010. In order to achieve the expected savings of €300 million that were predicted in 2006, the remaining €51.5 million would need to be achieved in the cost of drugs to hospitals.
- **Actual savings of €73 million (29% of total estimated savings) were achieved between March 2007 and December 2008.** A further €175 million savings are predicted between January 2009 and August 2010 based on extrapolation of drug utilisation trends.
- **It was estimated that 86% of savings (€214 million) were due to price reductions on original branded medicines** and the remaining 14% (€34 million) of savings were due to subsequent reductions in the price of equivalent generics.
- Sensitivity analysis demonstrated the robustness of the total estimated savings to the assumptions included in the analysis. Predictions of future drug utilisation are subject to uncertainty. Drug utilisation trends from January 2009 to August 2010 were varied +/- 10% in a sensitivity analysis and estimated savings ranged from €254.5 to €242.4 million respectively. The predicted drug utilisation for January and February 2009 were compared with actual data for this period and predicted savings were 5.0% and 12.8% greater than actual savings on the GMS and DP schemes respectively. Therefore, the estimated savings could be closer to the lower end of the range of predicted savings in the sensitivity analysis.
- Further research to evaluate the impact of dispensing less expensive generic medicines would highlight the potential for achieving greater efficiency.
- Finally, it is important to note that this analysis was limited to the Community Drug Schemes. The potential for savings on hospital drugs is difficult to predict as it is not clear what proportion of generic drugs and proprietary drugs with a generic equivalent are used in the hospital setting.