

Impact of medicines price reductions in Greece and Spain on other European countries applying external price referencing

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Problem Statement

Several European countries apply external price referencing (EPR), i.e. comparing to the prices in other countries as a basis for their pricing decision. A price decrease in a reference country, as this was the case for Greece and Spain in 2010 in reaction to the financial crisis, might have an impact on the prices in the other countries.

Objective

To assess if price reductions in Greece and Spain were "translated" into the prices in other European countries applying external price referencing.

Results

While there were decreases in the ex-factory prices of the selected medicines in Greece and Spain, they were seldom "translated" in lower prices in other European countries which refer to them. In the months following the price cuts in Greece and Spain, the ex-factory prices of Olanzapin and Trastuzumab remained stable in Austria, Belgium, Bulgaria, France, Hungary and Slovakia, while for Abacavir prices went down in Bulgaria, Ireland and Slovakia. There were even increases in the ex-factory prices for some or all of the three selected products in Finland, Romania and the Czech Republic. Ireland had reductions in the ex-factory prices for two medicines which are attributable to their price cuts to manage the financial crisis. At the level of wholesale and pharmacy retail prices, more changes, in particular increases, were observed which were mainly due to increases in the value-added tax (VAT) rates on medicines in several European countries during 2010.

Conclusions

We identified two major reasons for the low impact of the price reductions in reference countries on the EPR countries:

1. Missing regular price reviews which would allow learning about the price reductions.
2. Some price reductions were hidden, in particular the price decreases on original products in Spain, which were implemented as discounts and are not reflected in the price databases. It is recommended to assess the potential full savings which European EPR countries would achieve in case of regular price reviews and/or transparency about discounts.

Lessons learned

For making best use of external price referencing, an effective price monitoring system is needed, which keeps track of the changes in the reference countries. The functionality of external price referencing is distorted by intransparency like "hidden" price cuts in the form of discounts or rebates.

Methodology

Pharmaceutical policy analysis:

Price survey of three medicines (olanzapin, abavir, trastuzumab) in the out-patient sector at all price types (ex-factory, wholesale and pharmacy retail prices gross and net)

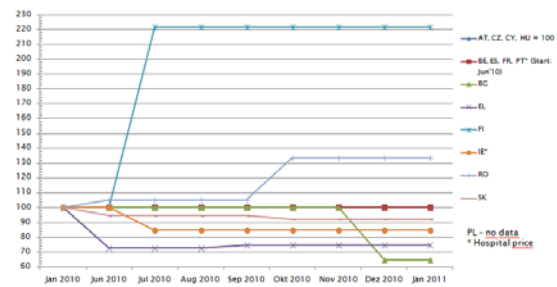
Data source: Pharmaceutical Price Information (PPI) service run by the WHO Collaborating Centre at the Austrian Health Institute

Time-line analysis of price data and **policy measures** (e.g. price cuts, changes in distribution margins and in VAT rates) at a monthly basis

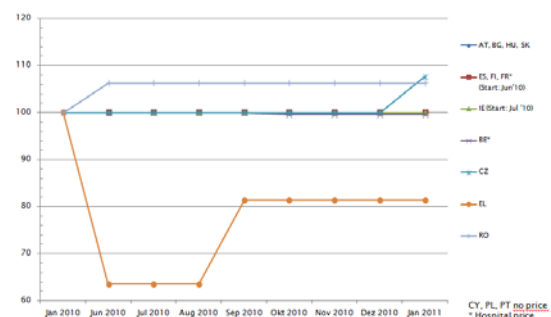
Time period: January 2010 to January 2011; updates planned

Coverage of **15 European countries** (Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Finland, France, Greece, Hungary, Ireland, Poland, Portugal, Romania, Spain, Slovakia)

Abacavir sulfat, 300 mg, 60 units, ex-factory prices per unit in National Currency Units (NCU). Index = 100 = price of January (if available) or June 2010



Trastuzumab, 150 mg, 1 unit, ex-factory prices per unit in National Currency Units (NCU). Index = 100 = price of January (if available) or June 2010



AT - Austria, BE - Belgium, BG - Bulgaria, CY - Cyprus, CZ - Czech Republic, EL - Greece, ES - Spain, FI - Finland, FR - France, HU - Hungary, IE - Ireland, PL - Poland, PT - Portugal, RO - Romania, SK - Slovakia

Source: WHO Collaborating Centre for Pharmaceutical Pricing and Reimbursement Policies, Vienna 2011

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