

In My Opinion

Generic medicines in Europe: ensuring healthcare sustainability



Greg Perry

The European generic medicines industry makes a major contribution to European health care by providing cost-effective treatment for many of today's most common chronic illnesses and conditions [1], such as cancer, diabetes, depression and high blood pressure. If generic medicines were taken out of the health economics equation, the EU's healthcare systems would become financially unsustainable. As expressed in the Pharmaceutical Forum Progress Report in June 2007, "Generic medicines provide an opportunity to obtain similar treatments at lower costs for patients and payers, while liberating budgets for financing new innovative medicines."

Whilst most EU governments have started to promote generic medicines, the potential for greater cost-effective medicinal provision in the off-patent market is staggering. Many decision makers in Europe have already discovered this and are beginning to implement measures to promote the use of generic medicines. As a result, the European generic pharmaceutical industry is fast becoming the principal supplier of medicines to the EU.

On average, generic medicines are sold at prices from 20% to 90% less than the originator product. The rate of difference varies considerably throughout Europe due to different pricing and reimbursement systems between countries, and the varying prices of originator products.

In countries like Germany, The Netherlands, Sweden and the United Kingdom, generic medicines account for over half of products supplied, but amount to approximately one fifth of pharmaceutical spending. This ensures budget headroom for expensive originator products which take up around 80% of the pharmaceutical budget. The examples of real and potential savings are numerous. Even so, in a recent study *Sustaining Generic Medicines Markets in Europe*, April 2006, Professor Steven Simoens, from the University of Leuven, Belgium, points out: "Generic medicines create major savings for healthcare providers and stimulate innovation. But the EU is not maximising its full potential in generic medicines. Added savings of 27-48% could be attained if the appropriate measures were taken by EU countries" [2]. Many EU Member States are far from maximising their potential for savings from generic medicines, even in the retail sector. Countries like Belgium, Italy, France or Spain have low penetration rates of generic medicines.

In many Central and Eastern European countries generic medicines make up for as much as 70% of all medicines prescribed

in terms of volume, whilst in value terms generics represent only 30% of pharmaceutical expenditure. Consequently, the availability of affordable generic medicines in these countries, many of which joined the EU in 2004 and 2007, is actually a major budgetary factor in both the retail and hospital markets. In general, generic medicines play a key role in healthcare provision in the new EU Member States. They are crucial to making quality medicines accessible to patients who cannot afford high co-payments for essential treatment.

But more can and must be done to promote a wider use of generic medicines to ensure the sustainability of European health care. As the G10 stated: "Member States – facilitated by the Commission – should explore ways of increasing generic penetration in individual markets, including generic prescribing and dispensing. Particular attention should be given to improved market mechanisms in full respect of public health considerations."

Moreover, the recent Communication on the future of the pharmaceutical sector adopted by the European Commission (COM(2008) 666 final) outlines that "many Member States recognise that generic medicines play an important role in helping to limit their healthcare expenditure in their reimbursement and prescribing practices. All actors should therefore ensure that generics can enter the market after expiry of patent and data exclusivity protections and compete effectively."

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Reference

1. IMS Health