A BITTER PILLS TO SWALLOW

One year after the introduction of legislation to bring down the price of generic drugs, taxpayers still pay staggeringly more than those in Britain

Susan Mitchell
Health Correspondent

It is almost two years since former health minister James Reilly promised to intervene and bridge the gap between what people in Ireland and people in Britain pay for generic medicines and those that have come off-patent.

Reilly made his “no-more” declaration after a survey in this newspaper found that the Health Service Executive (HSE) was paying up to 12 times more than the National Health Service (NHS) in Britain for the very same medicines.

Last summer, the government enacted legislation aimed at curbing the high price of these medicines. This legislation, which enabled reference pricing and generic substitution (see panel), was hailed as the panacea for the high price of off-patent medicines in Ireland.

The legislation has been used to reduce 14 of the most commonly prescribed and costly medicines. Another six are set to have price cuts implemented in August.

Yet, even after recent price drops in Ireland, the price differentials between Ireland and Britain are staggeringly large – raising awkward questions for the HSE and the Department of Health.

An analysis of the reference prices that were set for all 20 medicines, which come in 61 different doses, found that Irish taxpayers are paying up to 27 times more for medicines that have been “reference priced.”

Take the psychiatric medicine Olanzapine, which is often sold under the brand name Zyprexa. The HSE has agreed to pay manufacturers €35.99 for a packet of 28 (10mg) tablets of Olanzapine. The NHS is paying manufacturers £1.83 (€1.45) for the same tablets.

The price differential is even greater for that same medicine at a higher dosage. The HSE has set a reference price of €33.98 for 15mg (28 tablets), while the NHS is paying €2.43 (€1.92) – a price difference of more than €31 per packet.

The price differential between the two jurisdictions edges closer to €70 for 28 tablets of 20mg of Olanzapine. The NHS is paying €2.65 (€2.09), while the HSE will pay €71.97 – some 27 times more.

Massive price differentials also exist for Quetiapine, a psychiatric medicine that is often sold under the brand name Seroquel. The NHS pays £2.29 (€2.28) for 60 tablets of Quetiapine. The HSE has set a reference price of €34.80 for 28 tablets. This means that the HSE – which is funded by the taxpayer – will fork out €477.60 for a 12 month supply of this medicine for a medical card holder. The NHS will pay just €31.80 for a 12 month supply.

Major price differentials existed for the vast majority of the 20 medicines that have had new reference prices set, irrespective of the dosage. Just one medicine, Sildenafil (brand name Viagra), was on a par with the British price.

Patient anger

Not surprisingly, patient groups are angry. “The fact that the HSE is paying almost 20 times what the NHS pays for the anti-dementia drug Donepezil is both astonishing and maddening,” said Tina Leonard, head of advocacy and public affairs with the Alzheimer Society of Ireland.

Leonard said “legislation introduced to tackle this very issue” was not working and that action was needed to ensure Irish dementia patients and the Irish state were not being penalised by “paying over the odds. Wouldn’t it be in all citizens’ interests if the state can lower this spend by negotiating the best price possible for these off-patent medications?”

With the HSE paying almost four times as much as the NHS for a medication used by a large number of the state’s 440,000 asthma sufferers, the Asthma Society was equally unimpressed.

Sharon Cosgrove, chief executive of the Asthma Society, said the government’s attempt to get better value with reference pricing had failed.

“The current situation, where asthma medication is four times more expensive than in Britain, illustrates a complete failure by the HSE to tackle this issue. This is reflected in our research, with 24 per cent of members travelling outside the Republic of Ireland to access their medication at a reduced cost,” Cosgrove said.

This does not solely affect patients with medical cards, and those on other state drug schemes. It affects all taxpayers, who are ultimately footing the bill.

How much could be saved?

So how much money could be saved were Irish taxpayers paying the same price as British taxpayers?

Total pharmaceutical spending in Ireland was close to €2.5 billion in 2012 (including private payers and fees to pharmacists, but excluding hospitals), the OECD said. The total gross health budget for 2014 is €13.6 billion.

We do not know precisely how many of these medicines – or the dosages – the HSE will pay for this year. But, the HSE records the “prescribing frequency” for all medicines dispensed under state drug schemes.

So, let’s start with Quetiapine. HSE figures show that more than 300,000 prescriptions were dispensed under state drug schemes in 2012. The price per packet depends on the strength of the medicine dispensed, with the price typically escalating with the dosage.

The HSE reimburses four different strengths of Quetiapine. The second lowest price is for a 100mg strength. The HSE has agreed to pay €34.80 for this. If you multiply that out by 300,000 prescriptions, it comes to €10.4 million. The NHS would pay £867,000 for the same number of prescriptions (at £2.89 per prescription) – a saving of £9.5 million on one drug alone.

Atorvastatin is one of the most commonly prescribed medicines in the country. The originator brand was Lipitor, and more than 2.5 million prescriptions for Atorvastatin were dispensed under state drug schemes in 2012.
The HSE is paying €5.46 for one of the lower dosages. The HSE would pay approximately €13.65 million this year for 2.5 million prescriptions. The NHS would pay €44.1 million (at €1.65 per prescription) or €9.5 million less.

Using the same formula for Olanzapine, and taking the price for a moderate dose, you get the following: the HSE will pay about €7.9 million for 292,710 prescriptions (based on a prescription cost of €27.09 for 7.5mg tablets). The NHS will pay just under €486,000 with its considerably lower price of €1.66 (€1.31).

Some €26.4 million would be saved on Atorvastatin, Olanzapine and Quetiapine alone. Clearly that figure would rise quite considerably when the other 17 medicines are included.

Jonathan Irwin, chief executive of the Jack and Jill Foundation, said this money would keep his organisation running for more than nine years. The Jack and Jill Foundation provides end of life care to between 280 and 320 children a year.

It has been argued that a small country like Ireland cannot expect to get the same prices as Britain. The NHS clearly has more bargaining power than the HSE and greater economies of scale, but differentials of this magnitude were difficult for many analysts to comprehend.

When this newspaper provided a copy of the table of price comparisons (see panel) to an economist at the OECD, he was astounded.

“These price differences seem very large indeed, possibly too large to be true,” he said. The problem for patients and taxpayers in this country is that the prices, which were provided directly by the HSE and the NHS, are correct.

The Department of Health and the HSE consistently trumpet the savings that are being made under reference pricing, pointing out that it will deliver savings of €50 million on foot of reference pricing and generic substitution this year. That represents 5 per cent of the HSE’s €2 billion spend on medicines. On a per capita basis, Ireland ranked sixth among OECD countries in terms of highest pharmaceutical spending per capita.

The Irish Pharmaceutical Healthcare Association (IPHA) said Britain was one of the lowest priced generics markets in Europe. IPHA also said: “By the end of the year, it is likely that both the price and volume penetration of generic medicines will be at an average European level.”

IPHA’s statement makes it clear that our prices are not at an average European level at present.

IPHA previously wrote to the Department of Health complaining that the reference prices that were being set in this country were too low. Last week, IPHA clarified that it was specifically referring to the reference price for Atorvastatin (Lipitor). IPHA said this was set at between 15 per cent and 22 per cent of the price charged by Pfizer when it still had a patent for the medicine.

That is a considerable price drop, but it is not unusual. When Pfizer’s patent for Lipitor (Atorvastatin) expired in Britain in 2012, Pfizer slashed the price by 93 per cent.

What’s the excuse?

Perhaps certain manufacturers, who have little competition in this market, are not playing fair with the HSE. The HSE also has to ensure continuity of supply in the market.

The HSE is struggling to stay within budget and has a projected deficit of up to €300 million this year. Perhaps the HSE should consider purchasing some of the more expensive medicines direct from the NHS.

Many theorise that successive governments have kowtowed to the pharma sector, as it is such a big employer in this country. The counter argument is that big pharma has a presence here because of our skilled workforce and low corporation tax; that governments who swallow that line have been sold a pup; and that there is absolutely no chance big pharma will pull out if Ireland seeks better value in the off-patent market.

Minister for Health Leo Varadkar has promised to tackle the cost of medicines. So did his predecessors. His advisor, Brian Murphy, held a senior position at IPHA before taking up a post in government. That should leave Varadkar better equipped than most on this issue.
What is reference pricing?

Reference pricing involves the setting of a common reimbursement price, or reference price, for a group of interchangeable medicines. This can include the originator medicine that has come off patent, as well as copycat generics.

Under the new legislation, the HSE pays the reference price set for a group of these interchangeable medicines.

Previously, if a brand-name medicine was prescribed by a doctor, the pharmacist had to dispense it, even when less expensive versions were available.

The new legislation enables the pharmacist to substitute a less expensive generic version.

Generic medicines are essentially copies of branded medicines, and contain the same active ingredients. The reference price is the price the state will pay for medical card holders, those on the drug payment scheme and the long-term illness scheme. If a medical card holder wants a brand that costs more than the reference price, that patient must pay the pharmacist the difference between the reference price and the product price.

On patent: when a pharmaceutical company first markets a medicine, it is usually under a patent that allows only the pharmaceutical company that developed the medicine to sell it for a specific number of years.

Off patent: when a patent expires, this removes the monopoly of the patent holder on medicine sales licensing. This originator medicine is therefore deemed off patent and is then open to competition from generic manufacturers.
## Price comparison: how the Irish taxpayer is being fleeced on generic drug prices

<table>
<thead>
<tr>
<th>Condition</th>
<th>Generic drug</th>
<th>British price</th>
<th>Irish price</th>
<th>Dosage/strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychiatric disorders</td>
<td>Olanzapine (Zyprexa)</td>
<td>€2.65 (£2.09)</td>
<td>€71.97</td>
<td>High</td>
</tr>
<tr>
<td>Dementia</td>
<td>Memantine (Ebixa)</td>
<td>€19.82 (£15.78)</td>
<td>€34.31</td>
<td>10mg only</td>
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<tr>
<td>Breast cancer</td>
<td>Anastrazole (Arimex)</td>
<td>€2.33 (£1.94)</td>
<td>€28</td>
<td>1mg only</td>
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<tr>
<td>Dementia</td>
<td>Donepezil (Aricept)</td>
<td>€1.56 (£1.23)</td>
<td>€20</td>
<td>Low</td>
</tr>
<tr>
<td>Asthma</td>
<td>Montelukast (Singulair)</td>
<td>€2.80 (£2.21)</td>
<td>€10.89</td>
<td>High</td>
</tr>
<tr>
<td>Psychiatric disorders</td>
<td>Quetiapine (Seroquel)</td>
<td>€2.90 (£2.29)</td>
<td>€34.80</td>
<td>Moderate</td>
</tr>
<tr>
<td>High cholesterol</td>
<td>Atorvastatin (Lipitor)</td>
<td>€1.66 (£1.31)</td>
<td>€5.46</td>
<td>Low</td>
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<tr>
<td>Stomach acid</td>
<td>Omeprazole (Losec)</td>
<td>€1.58 (£1.25)</td>
<td>€8.40</td>
<td>Moderate</td>
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<td>High blood pressure</td>
<td>Lercanidipine (Zanidip)</td>
<td>€1.89 (£1.49)</td>
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<td>Stomach acid</td>
<td>Lansoprazole (Zoton)</td>
<td>€1.39 (£1.10)</td>
<td>€4.76</td>
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