Spanish generic industry chief says branded pharma price cuts have gone too far

by Belén Diego

MADRID, Oct 16 (APM) - The Spanish generic manufacturers association, AESEG, has warned measures to curb drug spend in the country are endangering innovation and excessively punishing its rival branded sector.

AESEG, chief executive, Ángel Luis Rodríguez de la Cuerda, told APM in a telephone interview that health cuts pose a serious threat to the industry and it was time the government realised that cutting the price of drugs had its limits.

His comments, rare for a senior player in the generics industry, follow a report by IMS Health released late last week, which registered a 11% drop in drugs sales in Spain in 2012 and forecast negative results up to 2016.

After a swift increase in generics in Spain, Rodríguez said he was now convinced that branded drugs and generics "are not conflicting entities, but complementary ones ... both branded pharma and generics have been doing their respective jobs quite well so far," he said.

"However, the government is making really difficult for pharma companies to innovate ... fewer and fewer new agents are entering the market after four price reductions over a two-year period and other spending control measures strictly focused on drugs", he said.

Rodríguez' sector faces no such problems - at least in term of sales and market share. Generics have reached 17.4% in market value and 33.1% in units this year, when those values were 5% and 17% in 2008 respectively, he noted.

Despite this, there was more to come, he suggested. "The good news is that, compared to those in other European countries, Spanish generics still have a wide growth margin, because most of our neighbours have them representing around 60% (by volume) of their drug markets. That means there is still a long way for us to go."

CUTTING DRUG PRICES "LESS AND LESS EFFICIENT"

AESEG's CEO thinks that in order to reverse the forecast the Spanish government should acknowledge the value of innovation for the good of the industry.

Companies, on the other hand "will have to redefine their strategies and focus on products with a brighter-looking future, such as biotechnology agents".

"Another possible strategy is diversification, with one given pharma group including OTC, branded, generic and biotechnology drugs under the same organisation. This is already happening", he said.

"Anyway, 5 years ago pharma represented 25% of health spend, but today it is just 17% and counting down ... putting more pressure on it will be less and less efficient to curb spending. The government should learn that at some point", he concluded.

According to the IMS report, until 2010, the 6.5% increase in demand could make up for price reductions, which were 1.4% below those of the previous year. In 2010, the Spanish pharma market grew 2.6%, the report says.

However, in 2011 prices slumped 7.6% and demand was also reduced by 0.3% resulting in a 5.6% fall in sales.

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