
Exploitative abuses in pharmaceutical sector

Annual Conference, Florence
Competition Programme

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25 October 2019

Intervention – When and Who

When?

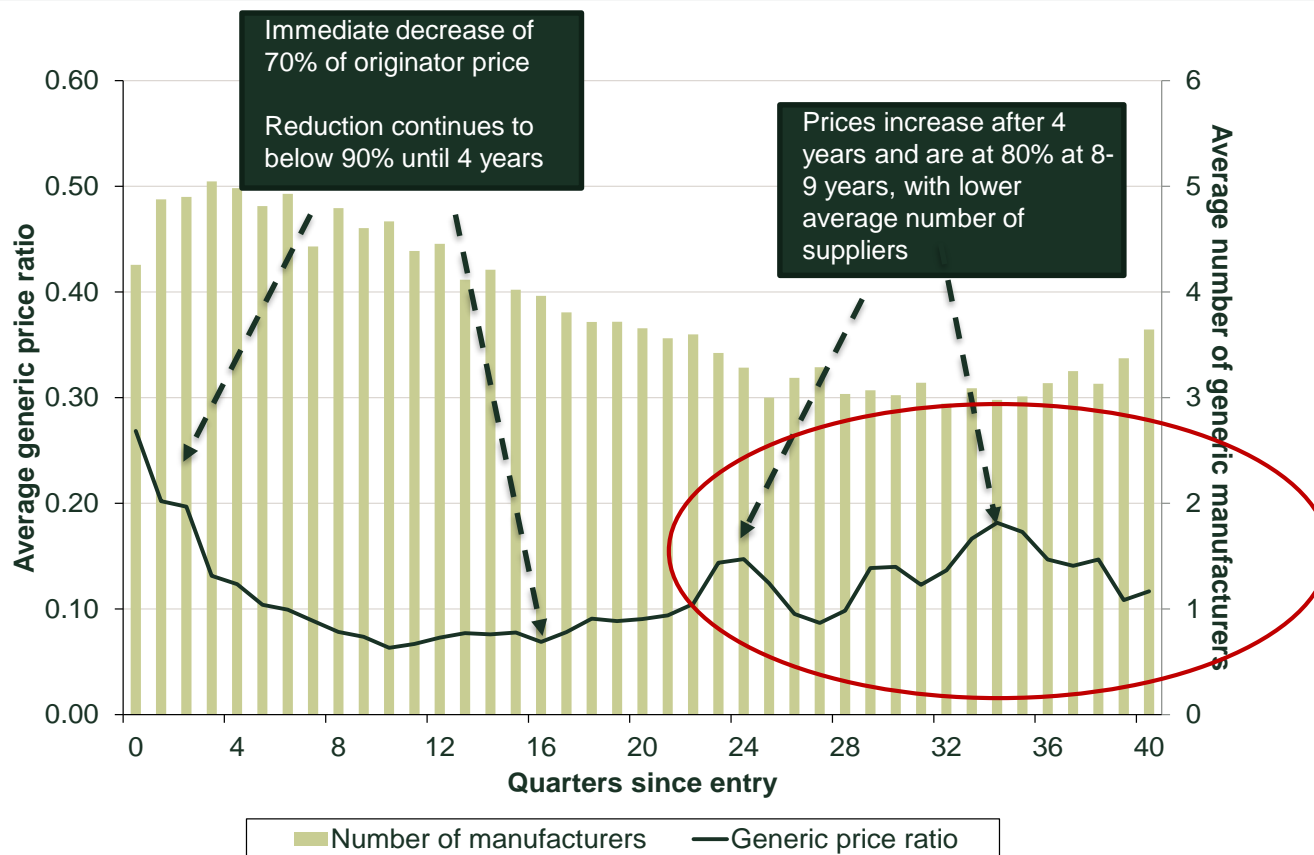
- costs versus benefits of intervention and potential for unintended consequences
- need to understand key drivers of market dynamics including generic entry and pricing

Who?

- Competition authority or regulator?
- Who has the right tools?
- Aspen Italy vs Pfizer UK

Oxera study on UK generics market (June 2019)

Actual selling price of generics



<https://www.oxera.com/publications/oxera-study-supply-generic-medicines-uk/>

Oxera study on UK generics market (June 2019)

Market dynamics

Pricing and supply decisions

- little influence on individual price after widespread entry
- if conditions are unfavourable (e.g. low price, too many players), production is 'dialled down', until some exit or profitability increases → BUILT-IN MARKET ADJUSTMENT MECHANISM
- flexibility in pricing and supply, reduces delays/additional costs → IMPLICATION FOR BARRIERS TO ENTRY

Entry decisions

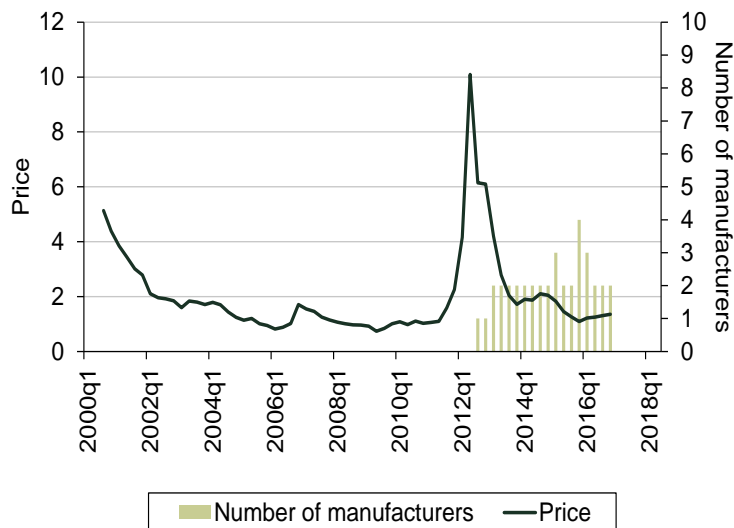
- long-term horizon scanning based on patent expiry pipeline
- commercial returns important for entry, but not solely; fit with portfolio is also key as is complexity in production → IMPLICATIONS FOR PRICE COST / PROFITABILITY ANALYSIS
- entry decisions made in light of overall mix of products and profitability → SOME CROSS-SUBSIDISTION; RECOGNISED IN APPROACH TO PRICE REGULATION BY DoH

Analysis of observed price increases

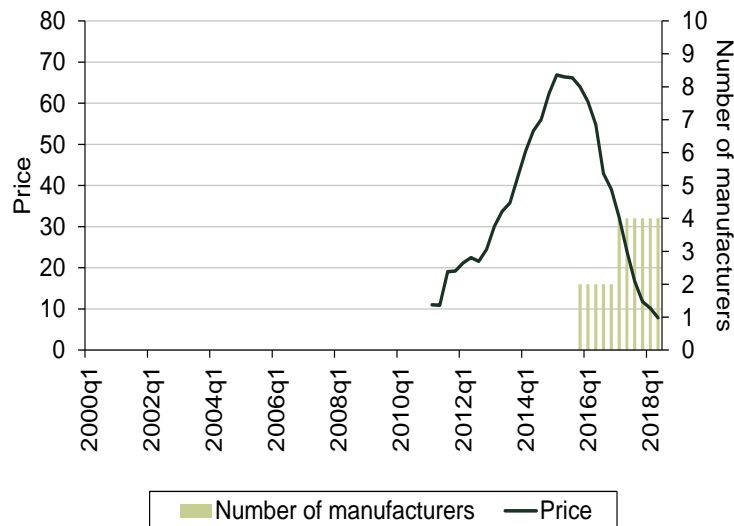
Two types of price increases investigated

- price increases above 50% occurring within 12 months
- slower price increases over many years

Betahistine 8mg tablets: 37% monthly increase over 4 months followed by reversal

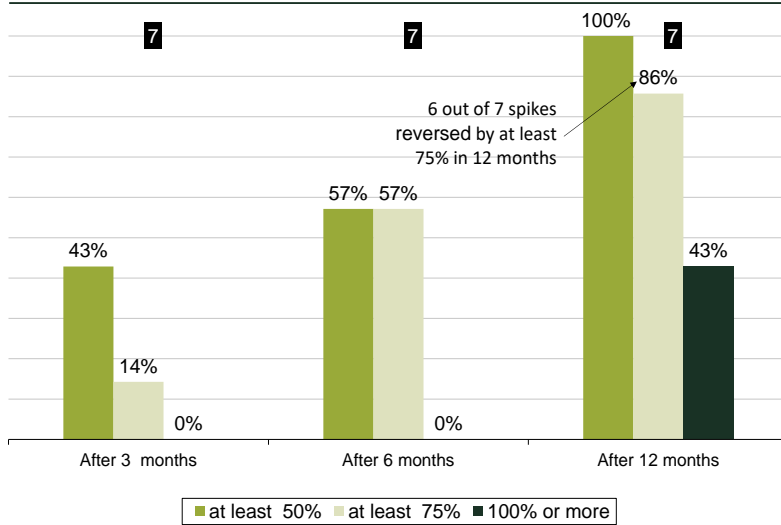


Nortriptyline 10mg tablets: 3% annual increase over 4.5 years



Extent and speed of reversals of price increases

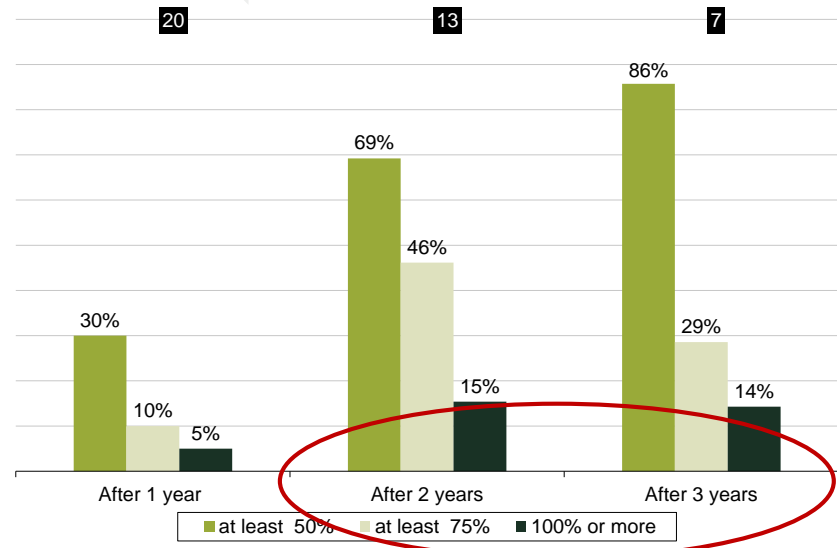
Need for long term view



Price spikes

Significant reversal of price 'spikes' within 6 months

Majority of the price increases reversed within 12 months



Slower price increases

Longer and less complete reversal rate; majority still show 50% or greater reversal within three years

Could indicate structural changes in supply (e.g. Chinese API cost increase)

Intervention – When and Who

When?

- costs versus benefits of intervention and potential for unintended consequences
- need to understand key drivers of market dynamics including generic entry and pricing

Who?

- Competition authority or regulator?
- Who has the right tools? → SINGLE PRODUCT TEST OF CA VS PORTFOLIO APPROACH OF REGULATOR
- Aspen Italy vs Pfizer UK → UNFAIR OUTCOME ONLY VS WITH UNFAIR PROCESS OF NEGOTIATION

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