

CURATIO INTERNATIONAL FOUNDATION

**MAIN HIGHLIGHTS OF
PHARMACEUTICAL PRICE AND
AVAILABILITY IN GEORGIA
2009 - 2011**

Authors

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Acknowledgement

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Introduction

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- **Drug List** – Package containing 52 most used medications in Georgia
- **Survey Location** – Tbilisi, Imereti, Kakheti, Adjara, Kvemo Kartli, Samegrelo
- **Surveyed Pharmacies** - PSP/Aversi/GPC networks, Other networks, Independent pharmacies. In 2011 the new network Pharmadepo/Pharmacenter was added to the sample
- **Survey Phasing**
 - ▣ **I Phase:** December, 2009
 - ▣ **II Phase:** July, 2010
 - ▣ **III Phase:** May, 2011

Purpose of the Study

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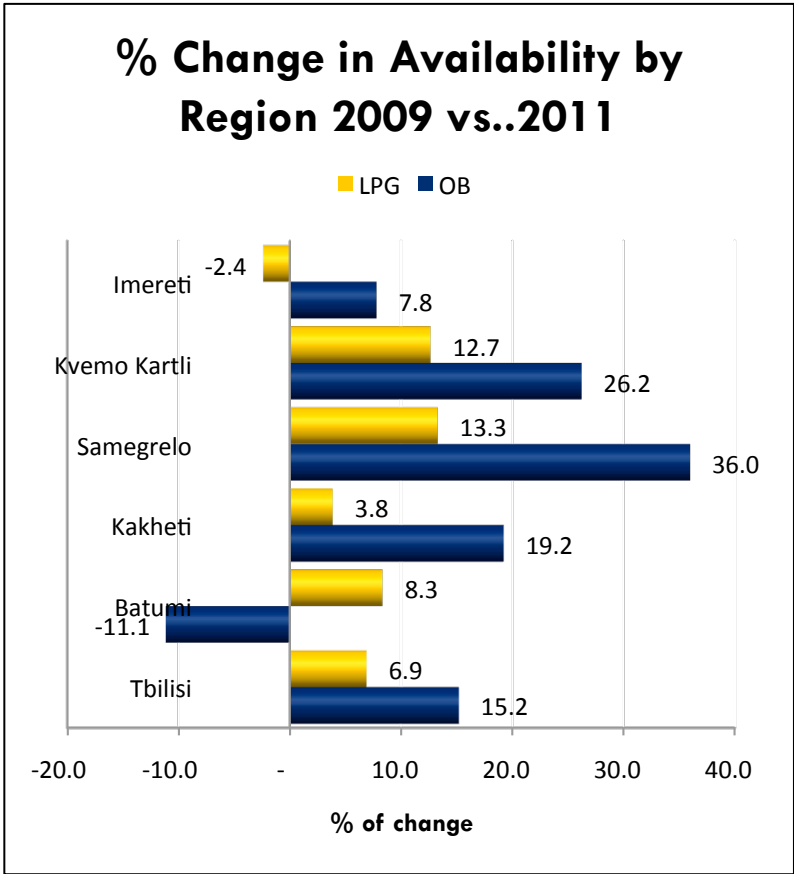
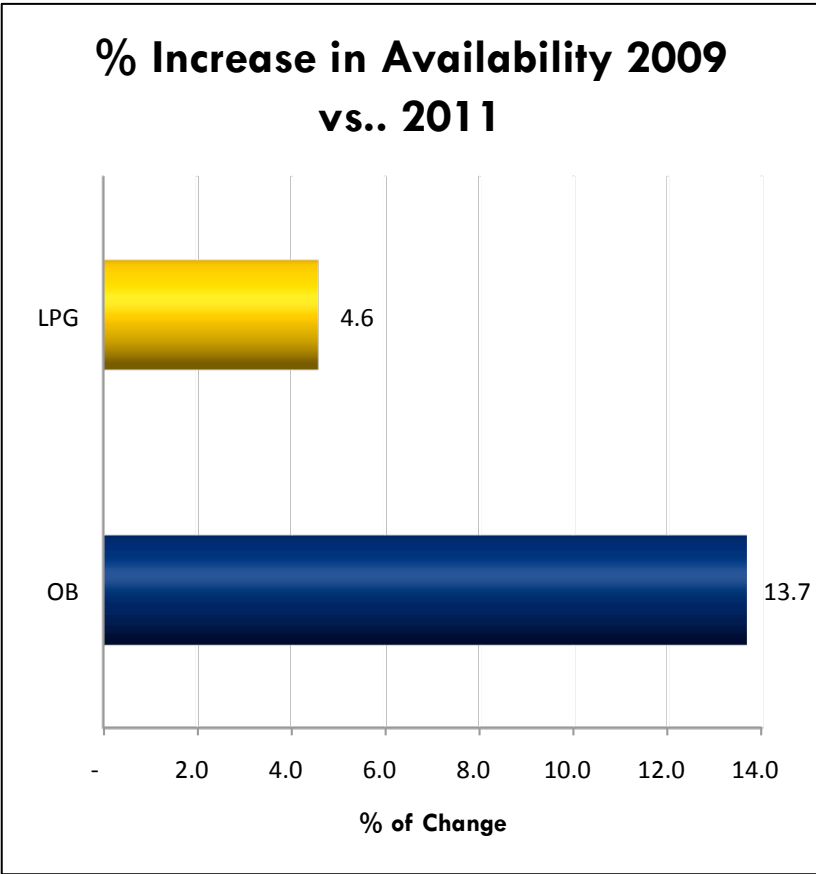
To monitor the impact of legal amendments introduced during September 2009 on availability and affordability of the pharmaceuticals in Georgia

Definitions

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- **OB**
 - ▣ Original Brand medicine
- **LPG**
 - ▣ Equivalent lowest price generic
- **Availability**
 - ▣ Percent availability of an individual medicines at the time of the survey in a surveyed pharmacy
- **Median Price**
 - ▣ Mid point price for a given medicine
- **Mark-up**
 - ▣ Markup is the difference between the retail price for a basket of drugs and price recorded at a Georgian border by customs department

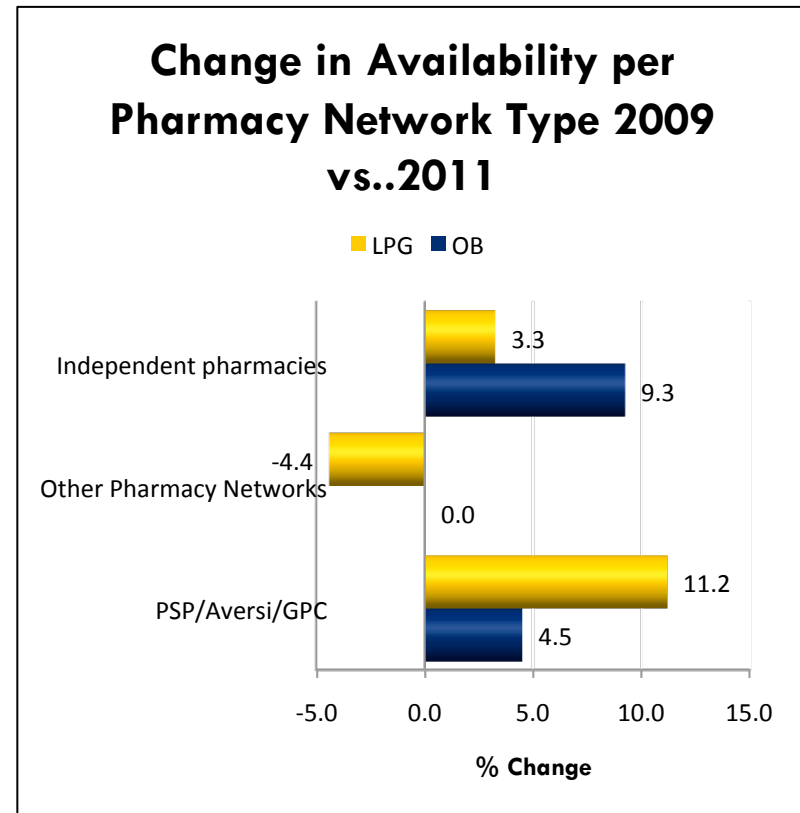
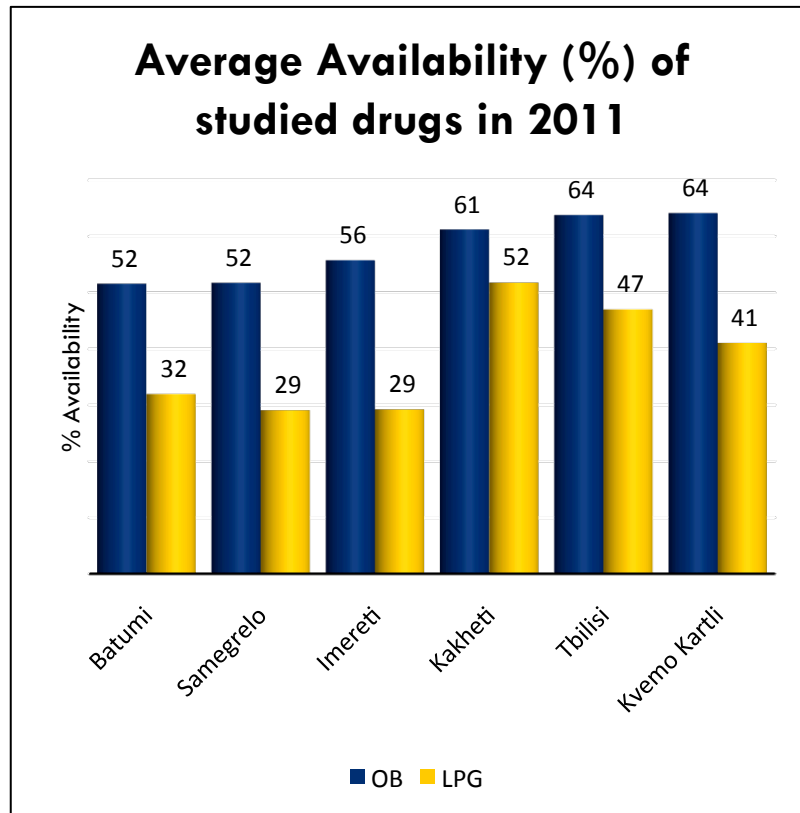
Change in Drug Availability



Overall drug availability improved for OB and LPG between 2009-2011.

Dynamics of Drug Availability

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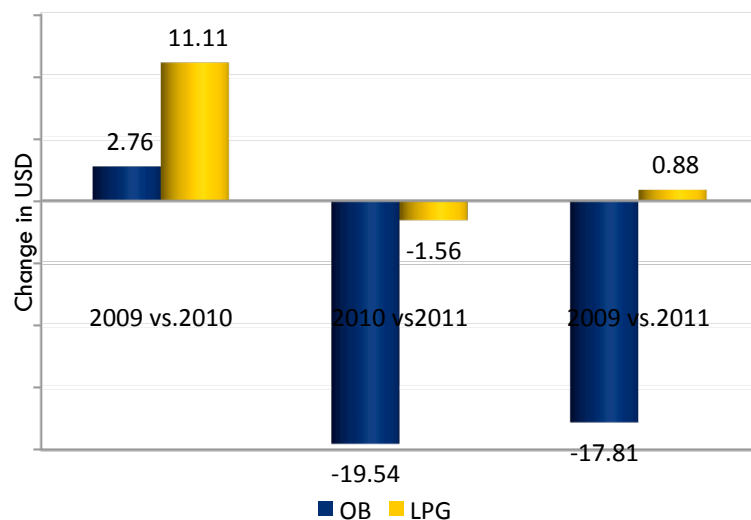


While drug availability improved in 2011 compared to 2009, availability of the Generic drugs remains to be low

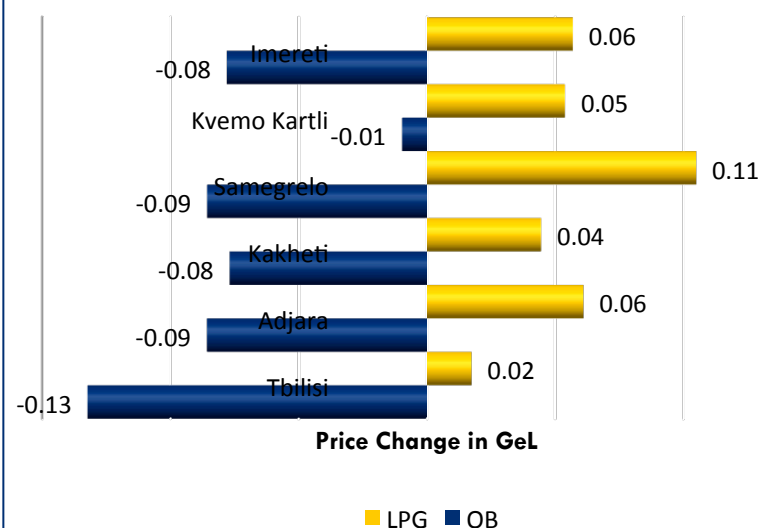
Drug Unit Median Price Change

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Unit Median Price Change Using Median Retail Prices (current Gel)



Median Unit Price Change (in current prices) by Regions 2009 vs.2011



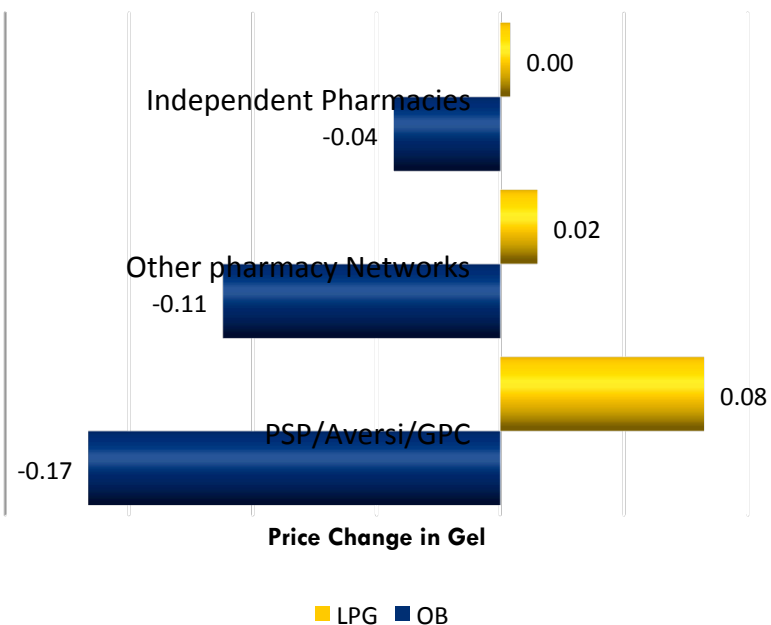
OB Unit Median prices for drugs increased in 2010 but declined significantly in 2011, most likely due to legal changes (increased competition) gained the strength.

Price changes for LPGs were marginal in current prices

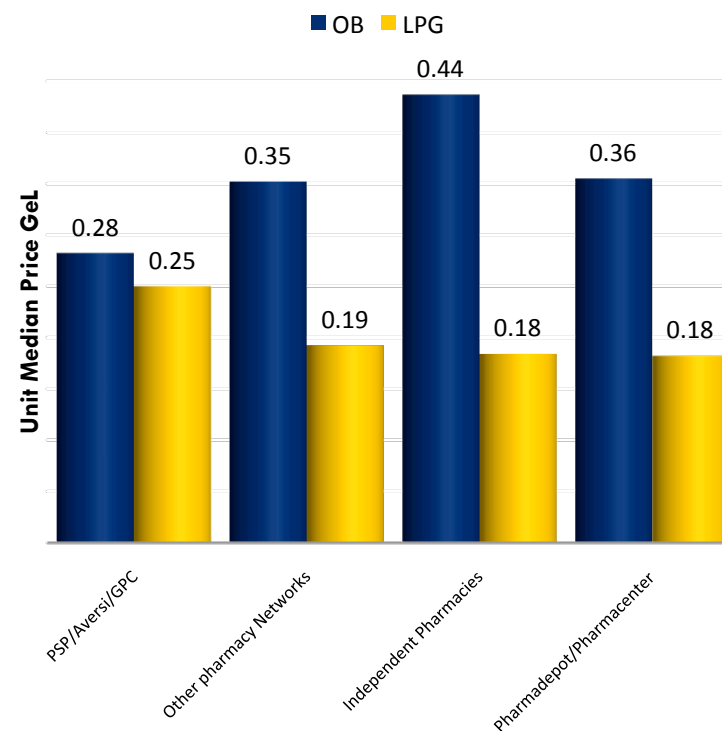
Drug Unit Median Price Change

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Median Unit Price Change by Type of Pharmacy 2009 vs. 2011



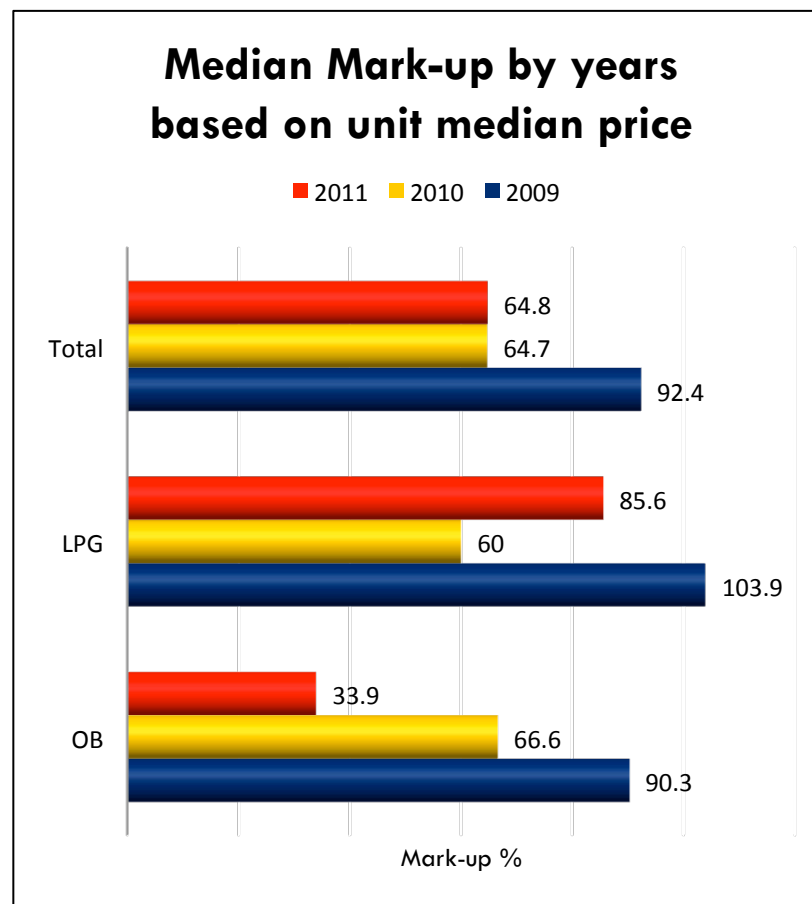
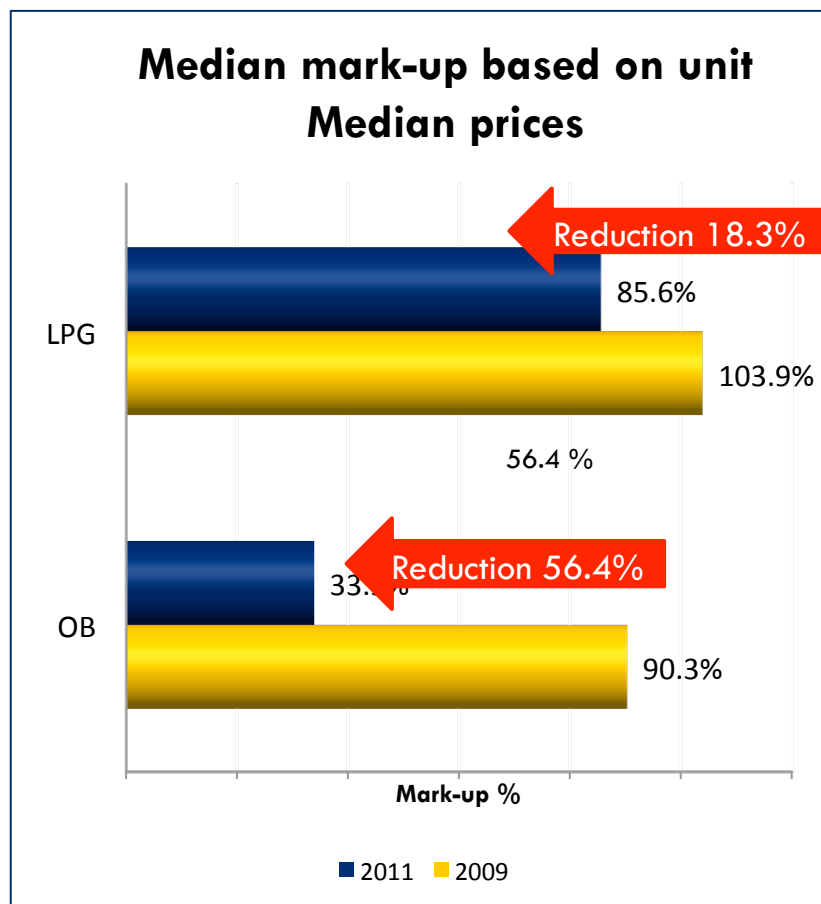
Unit Median Price (Gel) in 2011



Price reductions were more prominent for OB drugs and within the major pharmacy networks PSP/Aversis/GPC

Median Mark-up using Median retail prices (%)

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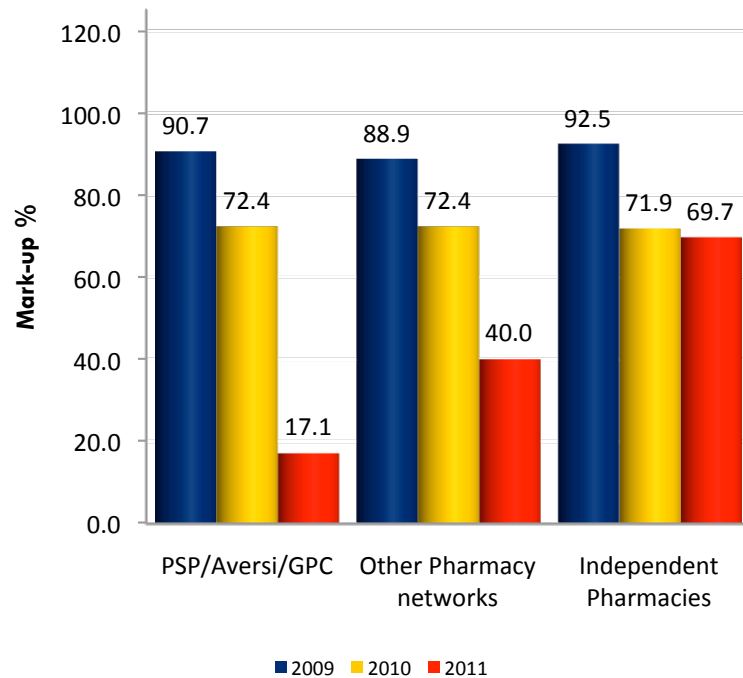


Mark-ups have declined for both OBs and LPGs, however reductions for OB drugs were more profound 56.4%, which have mainly materialized in 2011

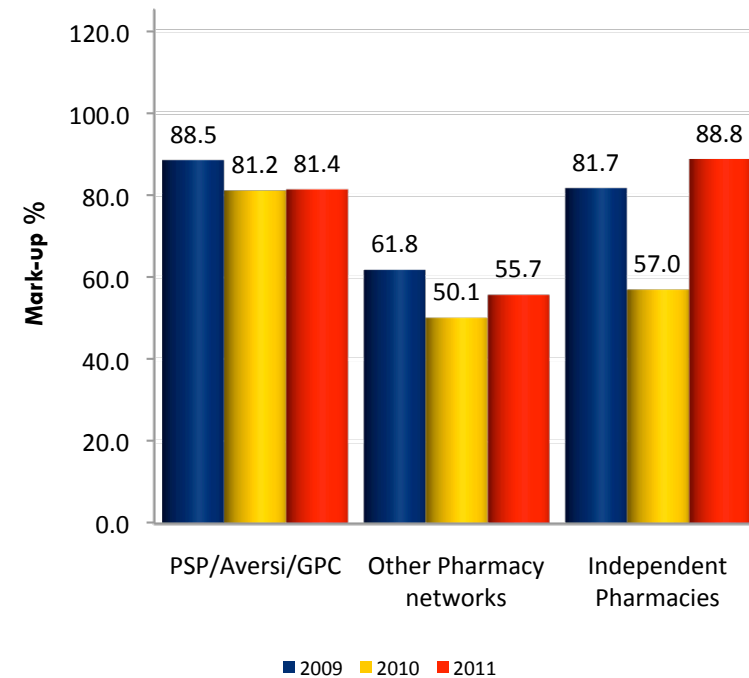
Median Mark-up Change by Years

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OB Median Mark-up % Change by years



LPG Median Mark-up % Change by Years

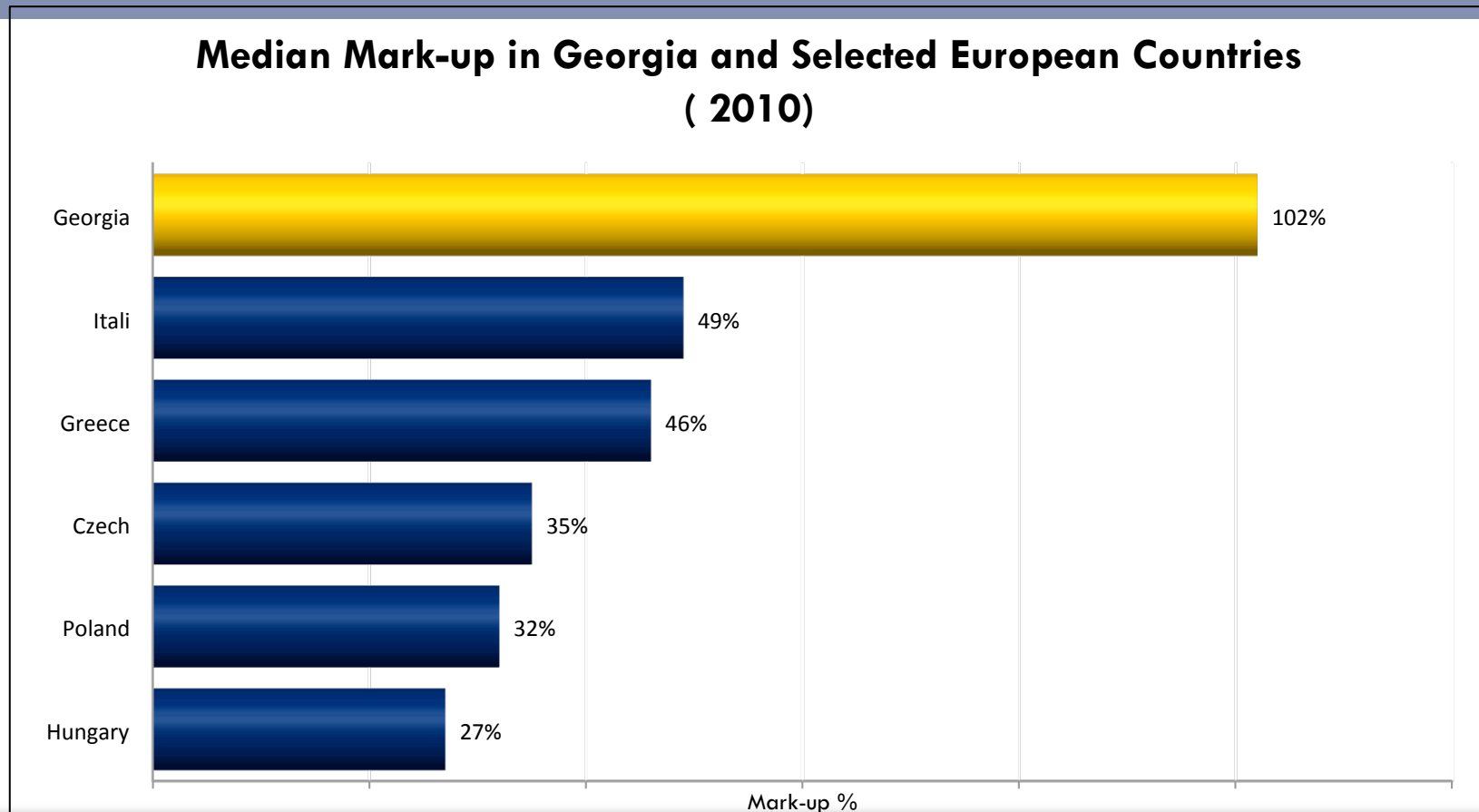


Mark-ups for OBs within major networks PSP/Aversi/GPC have declined most drastically to 18% compared to other pharmacies

For LPGs reductions were marginal over 2009-2011 and major pharmacy networks PSP/Aversi/GPC generate highest income on LPGs

Median Mark-up using Median retail prices

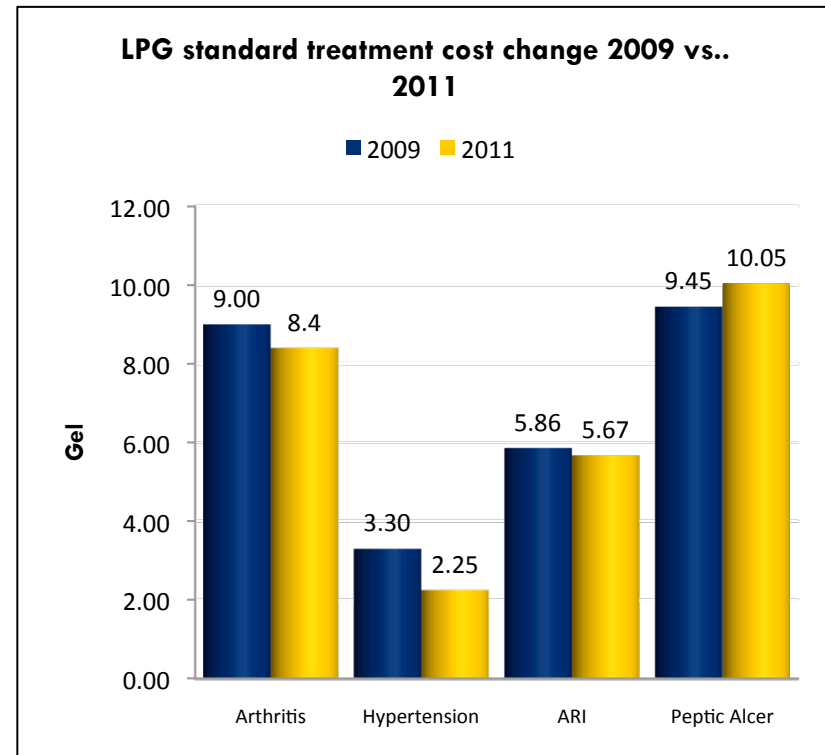
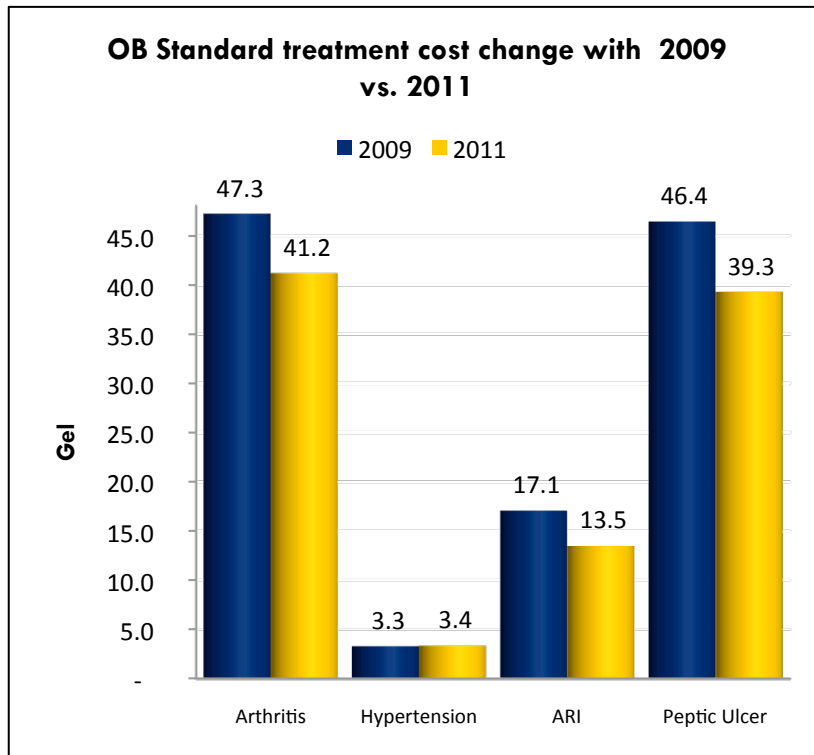
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While mark-ups have declined in Georgia there is significant room for further reductions

Changes in Price for Standard Treatment

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Price decline for OB drugs in 2011 made standard treatment cheaper in current prices and even more cheaper when adjusted for inflation

Price for standard treatment with LPGs shows mixed results.

Example:

Impact of OB Price Change on Treating 1,000 Patients

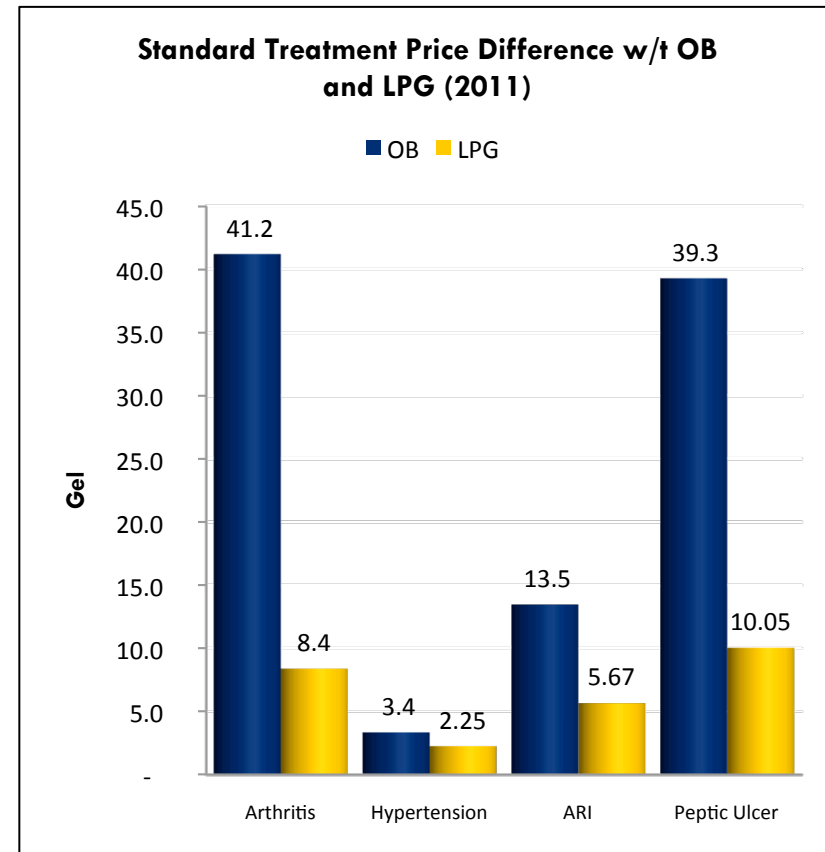
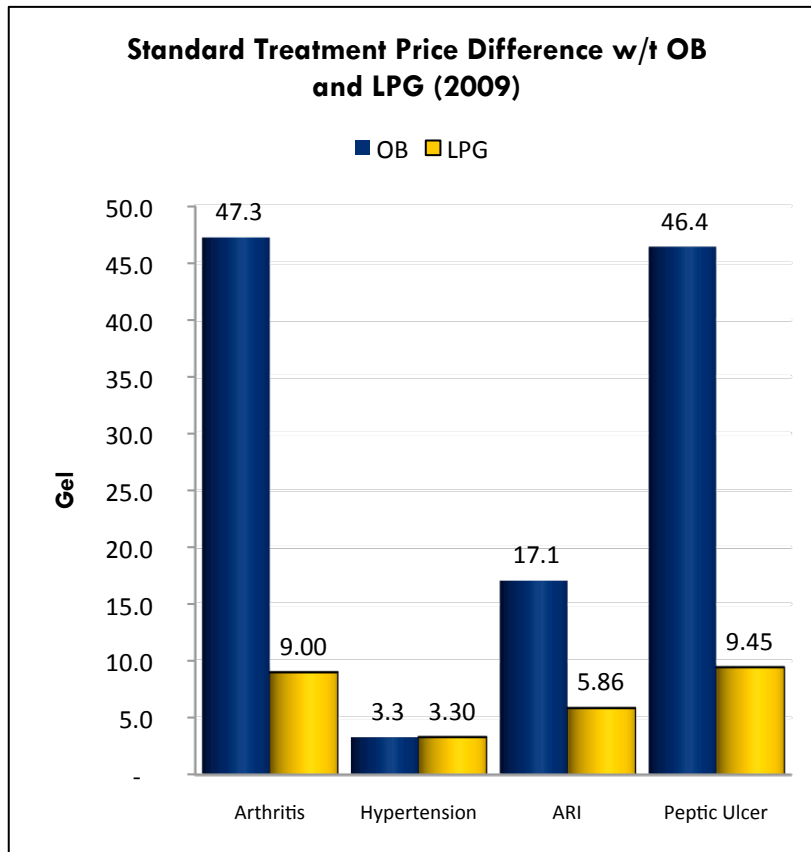
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Condition	Price in 2009 (Gel)	Price in 2011 (Gel)	Difference Gel
Arthritis	47,300	41,200	6,100
Hypertension	3,300	3,400	-100
ARI	17,100	13,500	3,600
Peptic Ulcer	46,400	39,300	7,100
Total Savings			16,700

Price decline for OB drugs results in savings for Standard Treatment

Changes in Price for Standard Treatment

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While LPG prices shows mixed results, treatment with LPGs in most instances is significantly cheaper than treatment with the OB

Example:

Impact of OB LPG Price difference on Treating 1,000 Patients

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Condition	OB Price in 2011 (Gel)	LPG Price in 2011 (Gel)	Difference Gel
Arthritis	41,200	8,400	32,800
Hypertension	3,400	2,250	1,150
ARI	13,500	5,670	7,830
Peptic Ulcer	39,300	10,050	29,250
Total Savings			71,030

Treatment with LPG offers greater financial benefits and savings

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Summary of Findings

DRUG AVAILABILITY CHANGES SINCE 2009

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- In 2011 drug availability Improved for both, OB and LPG
- However, LPG availability levels are far from being satisfactory
- Availability differs by regions for both OB and LPG and in certain regions availability remains to be a challenge – horizontal inequity.
- The large networks (Pharmadepo/Pharmacenter and PSP/ AVERSI/GPC) are better supplied with drugs than independent pharmacies.

DRUG PRICE CHANGES SINCE 2009

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- In 2011 Median Price for studied drug basket declined for OBs. The observed changes within LPG prices are not statistically significant.
- Price changes differently materialized in different regions of the country creating horizontal inequity
- Price reductions were more profound for Obs in PSP/Aversi/ GPC network, which could be response to increased competition.
- LPGs cost highest in other pharmacies and the lowest in pharmadepo/ Pharmacenter network and Independent Pharmacies

DRUG MARK-UP SINCE 2009

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- ❑ Competition brought markups for OBs down already in 2010 and further decline was seen in 2011.
- ❑ Mark-up reductions for OB were sharper within PSP/Aversi/GPC (from 90.7% to 17.1%) than within competing network of Pharmacies – is this real effect or short-term price dumping strategy to squeeze competitors out of market?
- ❑ Mark-ups for LPGs have not revealed major move and network specific levels stood almost unchanged.
- ❑ While overall median mark-up decreased, Georgia still has the highest mark-up compared to selected European Countries

PRICE OF A STANDARD TREATMENT

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- The standard treatment costs in current prices have **DECLINED** over the course of last three years
- While standard treatment price in 2011 became significantly less for OBs then for LPGs treating patients with LPG is still much, much cheaper.

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Conclusions

Remaining Challenges

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- Regional inequality in drug availability
- Growing but still low availability of LPGs on the market
- Declining but still significantly high mark-ups compared to European Countries
- High Pharmaceutical Expenditure in the national spending on health

Possible impact of legislative changes

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- Most likely due to increased competition:
 - ▣ OB prices in the retail network have declined
 - ▣ Availability has slightly improved and
 - ▣ For OB drugs profit margins have been squeezed out due to reductions in mark-ups
 - ▣ For LPGs profit margins (mark-ups) have not been affected significantly and mark-ups remain high

Observations

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- In the medium term high mark-ups for LPGs may not be a problem (due to relatively low price of LPGs) conditioned that this will motivate suppliers to assure higher availability and uptake of generic drugs on the market.
- OB mark-up reduction is obviously positive sign if this is not a short-term marketing event and if these reductions will be sustained in future.

Major Issues

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- Significant reduction of OB mark-up within PSP/Aversi/GPC network is this long term achievement or short term marketing strategy to squeeze the competitor out of market? → close monitoring of competition dynamics is warranted.
- Would economic motives to generate higher profit margins (not profits) will be sufficient to promote and increase uptake of Generic drugs on the market?

What are additional policy options to consider

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□ **Supply Side**

- Reference pricing
- ***Distribution controls along supply chain***
 - Regressive mark-ups / margins (motivation to dispense lower cost generics)

□ **Demand Side**

- ***Defining*** lists for insurance reimbursements
- ***Promoting*** generic substitution policy
- ***Influencing the demand of insured patients e.g. higher cost-sharing for OB and lower or no for generics***
- ***Strict Controls for*** drug promotion, marketing, education, sponsorship gifts to doctors.