



CPHI WORLDWIDE 2017

Manufacturing cost transparency could combat pricing criticism, says expert

By Flora Southey [↗](#)

02-Nov-2017 - Last updated on 02-Nov-2017 at 13:49 GMT

Quintiles IMS' Alan Shephard says manufacturing cost transparency will reduce criticism surrounding generics pricing, but one association believes this will lead to anti-competitive behaviour among drugmakers.



"Payers do not understand where the margin is in our industry, and that's one of the key targets, to show that here is the price, and here is the manufacturing price," said QuintilesIMS' principal of global generics Alan Shephard at CPhI Worldwide Pre-Connect Congress last week.

"Depending of what country you're in, there can be a huge difference," he added.

The contract technology and service firm's delegate urged generics industry representatives to lobby for manufacturer and distributor price transparency, which he said would improve payers' understanding of drug makers' costs.

"We need the generic associations around the world to work on our behalf, because as companies, we are not going to change that," he said.

"We need Medicines for Europe and the IGPA [International Generic and Biosimilar Medicines Agency] and the associations on behalf of the industry, to show where criticism in pricing is justified," he told delegates.

Manufacturer vs distributor

According to Shephard, pharmacy and distributor margins – which can be affected by promotional allowances, pharmacists' salaries and liability insurance – cloud consumers' perceptions of manufacturer margins.

"The manufacturer [doesn't] see anything like that price that was listed [on the final product], and you'll find that in most European countries, there are very few companies that actually see the materialisation of that value, because in that price there are discounts and rebates and margins to players in the distribution sector," he said.

EIPG says margins a 'commercial matter'

The European Industrial Pharmacists Group (EIPG) said while it takes an interest in medicines pricings, profit margins is a trade matter between manufacturers and distributors.

Pricing transparency does not fall within the remit of EPIG, said Panoutsopoulos.

Anti-competitive behaviour

Medicines for Europe raised concerns that collecting and publicising the margins of wholesalers and pharmacists would promote anti-competitive behaviour in the industry.

“Our members compete with each other in two ways: through official list prices which trigger price competition on the market, and through contracting with wholesalers and/or pharmacists by offering a better deal,” said Medicines for Europe’s director general Adrian van den Hoven.

“A trade association representing manufacturers cannot collect this data if that would present a risk of anti-competitive behaviour...we repeat these competition rules at every meeting with our members to make sure that they do not share this kind of information,” said van den Hoven.

Off-patent push

Rather than reduce rivalry between drug makers – which could increase profit margins – van den Hoven said governments should push for a competitive generics market.

“The off-patent medicines industry operates in difficult economic conditions, facing increased pricing pressure from payers on one side and heightened regulatory cost on the other,” said van den Hoven, who said development, regulatory, quality assurance, pharmacovigilance, distribution, legal costs contribute to the overall manufacturing cost of generics.

“To fully realise the potential of generic and biosimilar medicines and support a sustainable healthcare system, European governments should encourage investment in the competitive off-patent pharmaceutical market,” he said.

Copyright - Unless otherwise stated all contents of this web site are © 2017 - William Reed Business Media Ltd - All Rights Reserved - Full details for the use of materials on this site can be found in the Terms & Conditions

RELATED TOPICS: Regulatory & Safety, Regulations
