All EU countries see the development of generic markets as a good opportunity to increase efficiency in pharmaceutical spending, but many do not fully exploit the potential of generics (Figure 8.6). In 2014, generics accounted for more than 70% of the volume of pharmaceuticals sold in the United Kingdom, Germany, the Netherlands and the Slovak Republic, while they represented less than 20% of the market in Luxembourg, Italy and Greece.

Some of the differences in generic uptake can be explained by market structures, notably the number of off-patent medicines, and by prescribing practices, but generic uptake also very much depends on policies implemented by countries (EGA, 2011; Vogler, 2012). Several countries have expanded their efforts to encourage generic uptake since the onset of the economic crisis in 2008.

Prescribing in International Non-proprietary Names (INN) is permitted in most EU countries and is mandatory in a few countries (e.g. Estonia since 2010, Portugal and Spain since 2011 and France since 2015). Similarly, pharmacists are allowed to substitute brand-name drugs with generics in a majority of EU countries. While generic substitution is mandatory in some countries (e.g. Denmark, Finland, Spain, Sweden, Italy), the United Kingdom has high generic penetration without any substitution mandate.

Financial incentives for physicians, pharmacists and patients have been implemented to boost the development of generic markets. For instance, France (in 2009 and 2012) introduced incentives for GPs to prescribe generics through a pay-for-performance scheme.

Pharmacies are often paid through mark-ups based on the price of medicines. This disincentive to substitute a generic for a more expensive drug has been addressed in some countries. France guarantees pharmacists an equivalent mark-up, while pharmacists in Switzerland receive a fee for generic substitution. In several countries, pharmacists have the obligation to inform patients about the possibility of a cheaper alternative.

Patients have a financial interest to choose cheaper drugs when their co-payment is lower for generic drugs than its equivalent. This is generally the case in all systems using reference prices (or fixed reimbursement amount) for clusters of products. In Greece, patients choosing originator over generic drugs are now required to pay for the difference. In France, since 2010, patients refusing generic substitution have to pay in advance for their drugs and are reimbursed later.

These policies, associated with patent expiries of several blockbusters in recent years, have contributed to the increase in the generic market share observed over the past decade (Figure 8.7). In Portugal, the generic market grew from virtually zero in 2000 to 41% in volume and 24% in value in 2014. In Spain, the generic reimbursed market share reached 48% in volume and 22% in value in 2014, up from 3% only in 2000. Beyond encouraging generic uptake, it is also important to promote the lowest possible price for generics. Figure 8.6 suggests, for instance, that the differential price between brand-name and generic drugs is much higher in the United Kingdom and Germany than in Austria.

One way to exert pressure on generic prices is tendering, which has been used in the Netherlands and Germany with some success. Many countries, however, prefer regulating the price of generics at market entry by reference to the price of the originator (a practice known as "generic price linkage"). Several countries have recently increased this gap. For example, France and Greece increased the gap between originator and generic prices to 40% and 60% respectively (Belloni et al., 2016).

Definition and comparability

A generic is defined as a pharmaceutical product which has the same qualitative and quantitative composition in active substances and the same pharmaceutical form as the reference product, and whose bioequivalence with the reference product has been demonstrated. Generics can be classified in branded generics (generics with a specific trade name) and unbranded generics (which use the international non-proprietary name and the name of the company).

Countries were requested to provide data for the whole market; however many countries provided data covering only the community pharmaceutical market or the reimbursed pharmaceutical market (see figure notes).

The share of generic market expressed in value can be the turnover of pharmaceutical companies, the amount paid for pharmaceuticals by third-party payers, or the amount paid by all payers (third-party and consumers). The share of generic market in volume can be expressed in defined daily doses (DDDs) or as a number of packages/boxes or standard units.

References

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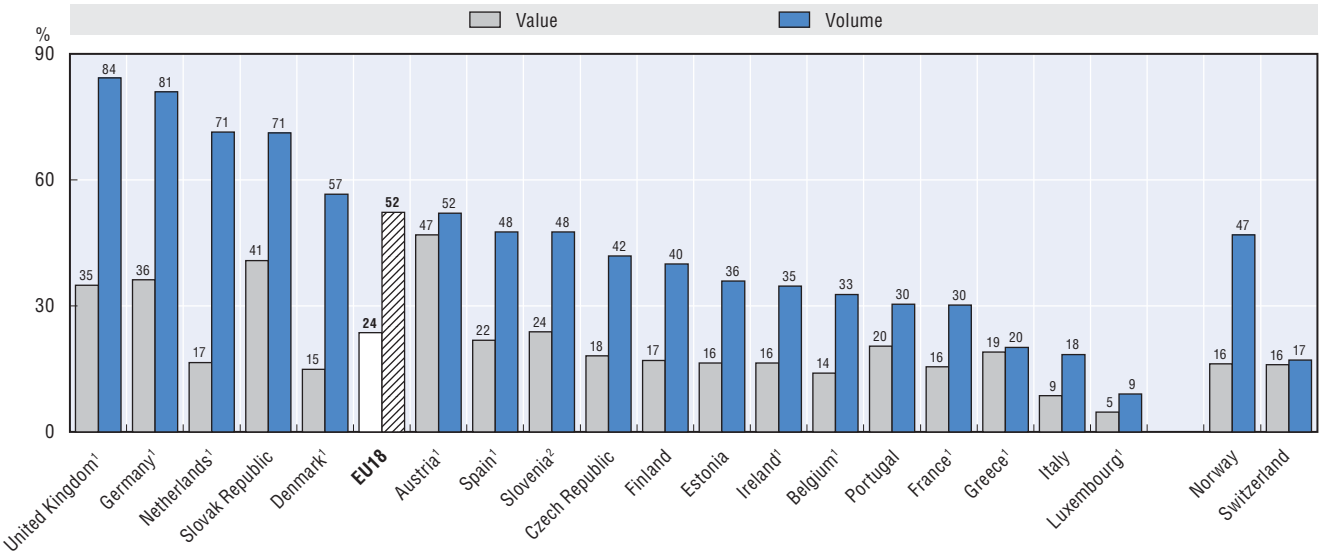
EGA (2011), *Market Review – The European Generic Medicines Markets*, European Generic Medicines Association.

Vogler, S. (2012), "The Impact of Pharmaceutical Pricing and Reimbursement Policies on Generic Uptake: Implementation of Policy Options on Generics in 29 European Countries – An Overview", *Generics and Biosimilars Initiative Journal*, Vol. 1, No. 2, pp. 44-51.

8.6. Share of generics in the total pharmaceutical market, 2014 (or nearest year)

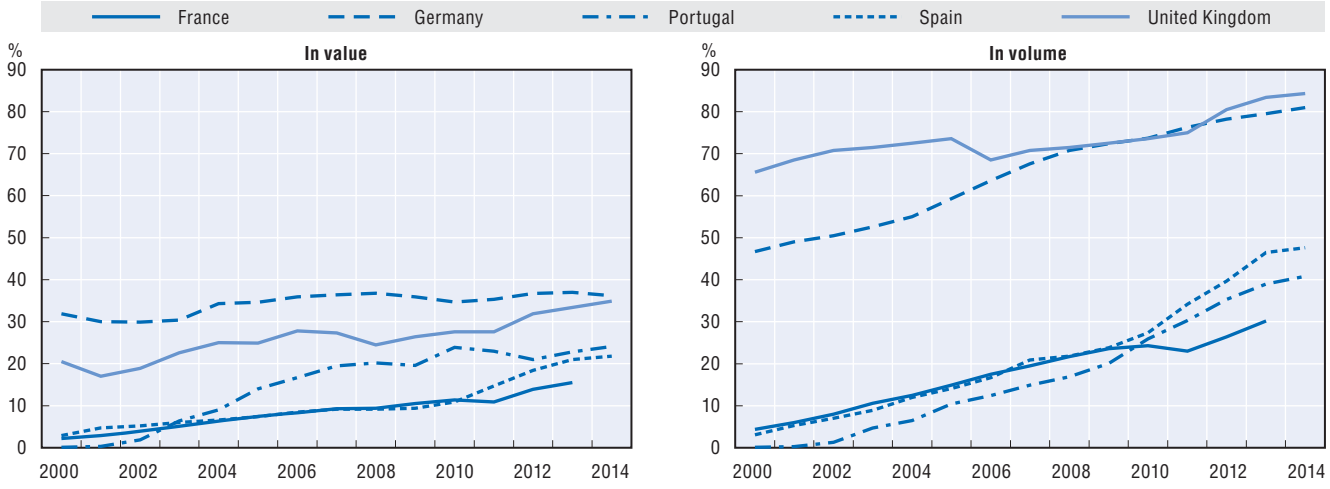


1. Reimbursed pharmaceutical market.
2. Community pharmacy market.

Source: OECD Health Statistics 2016.

StatLink http://dx.doi.org/10.1787/888933430104

8.7. Trend in share of generics in the reimbursed pharmaceutical market, selected countries, 2000 to 2014



Source: OECD Health Statistics 2016.

StatLink http://dx.doi.org/10.1787/888933430119