

B141. Branded generic drug saving

This briefing looks at branded generics, the possible savings available and how this could impact on the health economy locally and nationally.

Key recommendations/Principles to consider

- Branded generic prescribing can undermine Category M by affecting the competition that drives down prices in the generics market.
- The companies that manufacture branded generics can be relatively small with limited manufacturing capacity. The impact of including a branded generic in the formulary could create a large demand for the product over a very short period of time, especially if several CCGs switch at the same time; therefore supply could potentially be limited.
- Inform community pharmacy contractors of the formulary decisions and provide with information on how to access these branded generics. This may be different from their normal supply routes. Ensure no additional expenses are incurred which can be charged back as Out of Pocket Expenses.
- Check which wholesalers stock the branded generic recommended and if they have the capacity to supply the quantities the CCG might require.
- Check that the bioavailability and release profiles of the branded generic are interchangeable/equivalent to the innovator drug (or the drug currently recommended).
- Check if there is sufficient information available for prescribers relating to the branded generic drug.
- Check that the branded generic is listed on the prescriber's clinical system to allow the chosen product to be prescribed correctly.
- The prices of branded generic medications are subject to intense competition and change frequently. This could mean a need for regular reviews to ensure the most cost-effective recommendations.

Background

The Drug Tariff (DT) outlines payments to pharmacy contractors for reimbursement of the cost of the drugs, appliances etc. supplied against a NHS prescription. It also lists payment for fees/allowances etc.¹ The reimbursement payment depends if the product supplied is a branded (based on the manufacturer's list price) or a generic medicine. The reimbursement price of medicines is then reduced by in accordance with a 'discount scale' that reflects the average discounts pharmacies receive from wholesalers commonly known as the "clawback".

The potential cost of branded generics for the NHS, pharmacy contractors and patients

Category M includes the majority of generic medicines prescribed.² It is the principal price adjustment mechanism to ensure delivery of the £800 million retained margin (profit pharmacies can earn by cost effective purchasing) guaranteed as part of the community pharmacy contractual framework.³ Category M prices include an element of purchase profit so reimbursement may be higher than manufacturer's list prices,⁴ but the majority of generic medicines in Category M are the most cost effective.² Manufacturers can sometimes reduce the price of their branded product so it is cheaper than the equivalent generic product in Category M.² Therefore to save money, some CCGs may encourage branded prescribing.⁴ However when medications are prescribed generically, pharmacies seek to obtain the best available generics prices. This will drive down the prices being charged by wholesalers, manufacturers and in turn the DT prices and costs for the NHS.⁴ Prescribing branded generics affects the competition that drives down prices in the generics market and acts to drive up costs to the NHS.⁴

Prescribing branded generics means that pharmacy contractors receive little or no discount, but the 'clawback' is still applied by NHS Prescription Services.² Consequently items may be reimbursed at less than cost price to the pharmacy, which impacts on the financial viability of the pharmacy and puts the provision of pharmaceutical care at some risk.²

Community pharmacies may have to order the branded generics from different supplier than normal. This may incur additional expenses which can be claimed back as Out of Pocket Expenses. Expenses include costs such as postage and packaging, handling and the cost of phone calls to manufacturers or suppliers to order products.⁵

Frequently changing brands (due to price changes or supply issues) could be detrimental to patient care causing confusion and undermining their confidence in their medicines. Also branded generics that become short in supply can lead to delayed access to medicines for the patient.² Continually changing brands could also lead to pharmacy contractors being left with old stock they cannot dispense against prescriptions.

References

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3. The Pharmaceutical Services Negotiating Committee. Retained margin (Category M). Accessed 07/09/2015. Available online at: <http://psnc.org.uk/funding-and-statistics/funding-distribution/retained-margin-category-m/>
4. The Pharmaceutical Services Negotiating Committee. Branded generics. Accessed 31/08/2015. Available online at: <http://psnc.org.uk/funding-and-statistics/funding-distribution/branded-generics/>
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Bulletin

