

SPANISH NATIONAL HEALTH SYSTEM. PHARMACEUTICAL DISTRIBUTION

Ukraine Pharmacy Chains National meeting

2014 May 30th

Overview

- ▶ Spanish National Health System (SNS) covers 100% of the cost of primary care ('health centres' in each borough) and secondary attention (hospitals) to the patients.
- ▶ SNS also covers the cost of medicines through a reimbursement system.
- ▶ At the same time, the Medicines Reimbursement System is based in a so-called Reference Price System.
- ▶ On the other side, for being reimbursed, medicines must be prescribed by doctors working for the SNS.
- ▶ OTC medicines are out of the reimbursement system, as well as those prescription medicines with prices over the reference ones established by the Health Administration.
- ▶ Any private doctor can prescribe all medicines, but in all cases the patient will pay 100% of their prices.
- ▶ Distribution and pharmacies margins are regulated by the Health Administration.

Reimbursement System

- ▶ Requirements to be a drug reimbursement system beneficiary:
 - ▶ To be employed, full time or part time. All employees are covered by Spanish Social Security, provided that legal monthly contributions had been paid
 - ▶ To be a pensioner of the Social Security System (mainly by age – 65 – and by illness)
 - ▶ To be entitled to receive unemployment benefits (maximum two years)
 - ▶ To have exhausted unemployment benefits
 - ▶ If non of the previous requirements is fulfilled, and the person has the Spanish nationality or is a citizen of a country in the European Union, or in the European Economic Area or Switzerland who are resident in Spain, or is a citizen from other countries but with an authorization to reside in Spain.
 - ▶ Spouse and children (under 26 years old or disabled) of the person insured are also covered

Reimbursement System

- ▶ Patients contribution (co-payment) for drugs depends on the person income:

	Active workers co-payment	Pensioners co-payment
Non-contributory pensions, long-term unemployed, the disabled, occupational diseases	0%	0%
Annual salary < 18.000 €	40%	10%. Max. 8, 14€/month
Annual salary 18.000 €- 100.000 €	50%	10%. Max. 18,32 €/month
Annual salary > 100.000 €	60%	60% Máx. 61, 08 €/month

- ▶ These amounts shall be paid to the pharmacist by the time of dispensing
- ▶ An official SNS prescription is required (only those medicines included in the SNS 'reference prices system' will be reimbursed)
- ▶ The Pharmacist will attach to the prescription the barcode printed in the box of the drug, and keep it

Reimbursement System



● A.S.S.S. - TLD
EDIGEN, S.A.
ATENOLOL EDIGEN 50 mg
60 Comprimidos E.F.G.-EQ
C.N. 706838



8 470007 068389

- ▶ At the end of each month, the pharmacist will submit to the Regional Health Administration (which depends on the SNS) all prescription documents with barcodes and signed
- ▶ The Health Administration will reimburse to the pharmacist the outstanding amount by the following month

Reference Price System

▶ Definitions:

- ▶ A “therapeutic group” is a set of medicines with the same therapeutic target. (for example tricyclic antidepressants), and is comprised by several “homogeneous groups”
- ▶ An “homogeneous group” covers all existing drugs on the market with the same active ingredient, dosage, presentation and route of administration (for example: sertraline 100 mg 30 tab)
- ▶ The “reference price” is the maximum price to which the SNS will reimburse an homogeneous group, and therefore any concrete drug (brand) included in the group
- ▶ The Reference Price system is in force since year 2000
- ▶ The Reference Price of each homogeneous group is established by SNS experts, taking into account the minimum price of the brands included in the same group
- ▶ Any medicine which is over this reference price will be excluded of the SNS
- ▶ Both innovative and generic drugs are affected by the Reference Price System
- ▶ To avoid being excluded from the SNS Reimbursement System, innovative pharma companies lower prices of drugs once their patent expire, and hence a reference price is affecting the products

Reference Price System (Cont.)

- ▶ Reference prices system is reviewed once/twice a year, and always on downward trend.
- ▶ Ministry of Health has the intention of reimbursing only those products (brands) that, in their 'homogeneous group', has the 'lowest price'
- ▶ Consequence: progressive fall in prices
- ▶ An example:
 - Therapeutic group: Proton-pump inhibitors
 - Homogeneous group: Omeprazol 20mg 14 capsules:
 - ✓ Year 2000: Reference price: 24, 89 €/unit
 - ✓ Year 2014: Reference price: 3,14 €/unit. Brand with the lowest price: 1, 26 €/unit

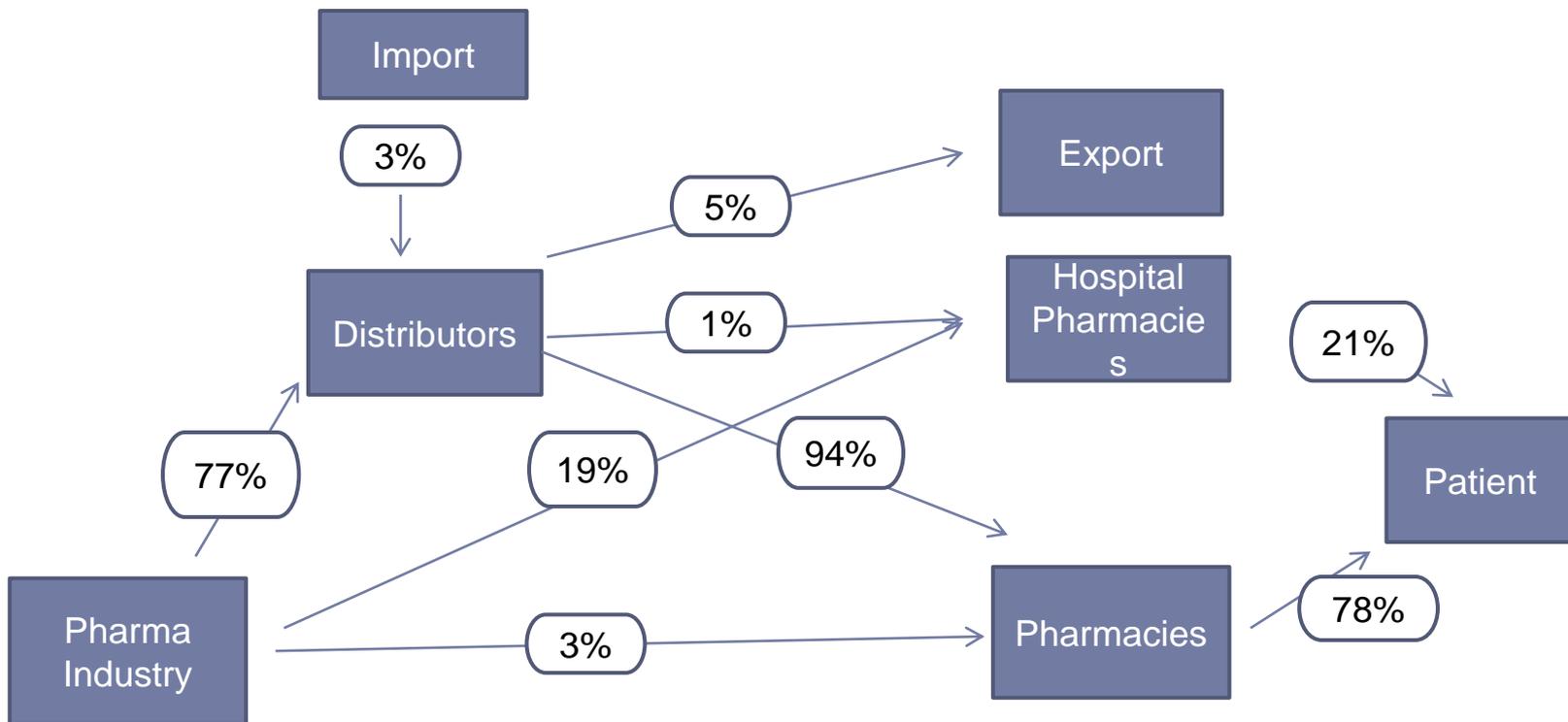
Pharmaceutical Distribution

- ▶ It is closely related to public spending, since most drugs are funded by the National Health System (more than 95%)
- ▶ Prices (and hence, margins) are regulated by the National Health System
 - ▶ Distributor: margin: 7,6%
 - ▶ Pharmacy margin: 27,9%
- ▶ **PVL** (precio venta laboratorio): Manufacturer selling price to the distributor
- ▶ **PVF** (precio venta a farmacia) : PVL+ Distributor official margin. It is the distributor selling price to the pharmacies
- ▶ **PVP** (precio venta público): PVF+ Pharmacy official margin. It is the public price
- ▶ **PVPiva**: PVP + VAT (4%)



Distribution Channels

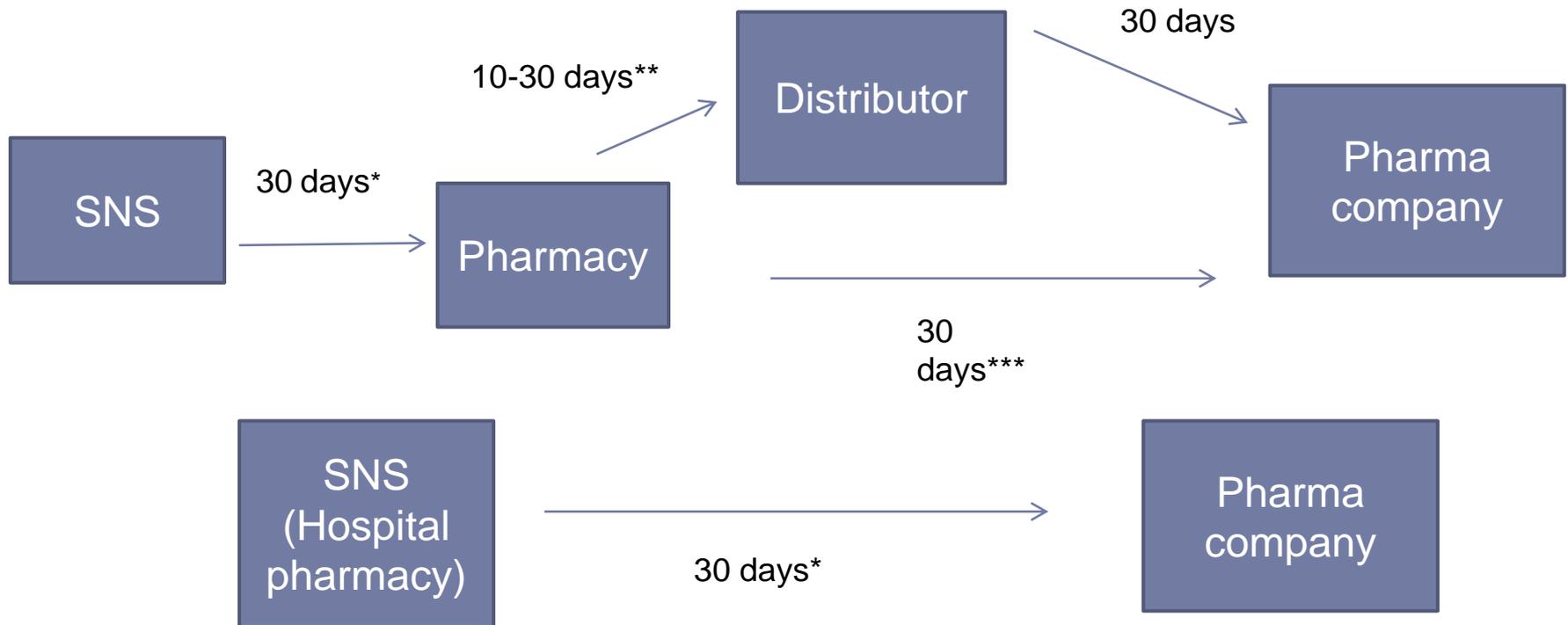
- All channels for distribution of drugs in Spain



Distribution Channels.

- ▶ 77% of the medicines market is done through distributors. Most of them are cooperative companies, owned and managed by pharmacists, which are the shareholders. The top five companies leading the market follow this model
- ▶ 3% of the units are sold directly to pharmacies by the pharma companies. Only pharmacies with high consumption, and certain locations, are able to negotiate directly with the companies
- ▶ 19% of the units are sold directly to hospital pharmacies (either public or private), which negotiate directly with the pharma companies the supply conditions through tenders.
- ▶ The distributors deliver about 28,500 SKUs, (83% drugs and 17% medical devices) to any pharmacy at an average of 3 times per day
- ▶ There are currently 21,100 pharmacies in Spain and 780 public hospitals covered.

Payment terms



- *The official payments of the SNS to pharma companies always exceed by far the 30-days established by law to some 12 to 24 months. To pharmacies should be 1 – 2 months)
- ** Pharmacies can negotiate with distributors payments every 10 days, in exchange of some discounts
- ***Pharmacies can negotiate with Pharma Companies some discounts and better payment terms and conditions depending on purchase volumes.

THANK YOU FOR ATTENTION !