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## **Italy limits price cuts to generic drugs**

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By Sarah Herman



**Italy is the latest in a long line of European countries to issue health cuts in attempts to decrease the budget deficit. However, unlike many other EU states, Italy's reductions to healthcare spending will focus on price cuts to generic drugs and restrictions on reimbursements for more expensive medicines.**

Under a package of measures, outlined in a 176-page report published last week, the Italian government pledged to slash prices of generic drugs by 12.5 percent from June 2010 until the end of the year, reported Reuters. Reimbursement of generic drugs will also be limited to the cheapest version of a medicine within four therapeutic categories, with the lowest price established by a tender system.

Generic drugs have accounted for just 40 percent of patent-expired drug sales by volume in 2009, but were the only sector of the state-funded pharmaceutical market to see any growth last year, with rises of 18.4 percent by volume and 10.3 percent in terms of value, according to IMS Health data.

According to the austerity package, any purchases by the state health service which are greater than reference prices will have to be substantiated. The cuts are intended to save the country around €600 million.

Ferruccio Fazio, the Italian health minister, told the **Financial Times**: "The pharmaceutical industry is not happy and we feel [their prices] are well controlled. The problem is not discounts [of patented drugs] but volumes. We will consider giving incentives to GPs."



Alongside price cuts to generic drugs, Mr. Fazio also announced plans for centralised procurement and administrative changes. The greatest weight, however, was placed on "rational prescribing", which will involve persuading doctors to cut scripts for unnecessary medications - most notable, antibiotics - in favour of increased use of cheaper generic drugs.

### **Stabilising drug costs equals mixed results**

The Italian government's announcements reflect an attempt to stabilise the cost of drug bills whilst encouraging and increasing research and development in the healthcare sector.

Silvio Berlusconi, Italy's Prime Minister, said that the expansion of "cradle-to-grave" social protection had led to uncontrolled public spending and that, in light of the global financial crisis, it is essential that this spending be curbed.

The measures outlined last week ought to reduce the national budget deficit to 2.7 percent of Italy's GDP by 2012, claimed Mr. Berlusconi. These projections have been welcomed by officials of the European Union, as well as the International Monetary Fund.

### **Cuts across the EU**

The price cuts to drugs announced in Italy follow those made by Greece, Germany, the Netherlands and Spain, and France has now also revealed its intended healthcare cuts. The price cuts to generic drugs have led to concern amongst generic drug companies that such moves could endanger the levels of quality in their products and undermine the survival of a proliferation of rival low-cost drug manufacturers.

Some industry analysts believe that medical price cuts could even have far worse consequences across the entire EU.

A recent research note released by investment bank Citi, for example, has predicted five to 10 percent drug price cuts in Europe's five biggest economies and warned that, while investors had been focused on US health care reform, "we believe cuts to European government budgets present a greater under appreciated risk in 2010."

Due to the fact that many European countries are issuing price cuts to drugs based on those applied by their neighbouring states, a cut by one government can have a domino-effect and lead to further reductions elsewhere.

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