Interview with Fergal Murphy, Chairman, Association of Pharmaceutical Manufacturers in Ireland (APMI)

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Fergal Murphy, Chairman of the Association of Pharmaceutical Manufacturers in Ireland, discusses with pharamaboardroom.com the difficulties in such a small market and how the industry is adapting to the needs of Ireland by working closely with the government to find the right price point for products and increasing awareness of generics. He also continues to give his insight on how the market will look in 5 years.

Could you please begin by introducing us to the APMI, and the environment it operates in?

Generic pricing in Ireland is comparatively less expensive when contrasted with neighbors like Denmark and Belgium. Of course our generic prices are higher than those of much larger countries like France—countries that can offer much greater volume—but across the broader European spectrum, the price of generics in Ireland competes quite well. In the past 18 months alone, the prices of some generics have diminished by 55%-60%, which brings our industry further in line with other EU markets.

The government also has legislation pending in parliament that will open up the generic market in Ireland, in terms of legalizing interchangeability at a local pharmacy level and introducing a reference-pricing model. There is still a lot of work to be done in terms of defining the mechanisms around reference pricing, but the APMI is thankful that we will be consulted and will be assisting the government in establishing that framework.

The big concern that the APMI has at the moment is price and continuity of supply. We have had a history of drug shortages in Ireland because the government demanded prices that were simply too low—manufacturers lost interest, so supply in turn waned. There have often been instances in the Irish market wherein prices dropped below a UK level, and the majority of Irish stock of a given drug was exported to the more favorable market. For instance, Eltroxin—an extremely important treatment for thyroid hormone production—was unavailable in the Irish market for 6 weeks last year. Antibiotics such as Flucloxacillin and Clarithromycin were also at critical levels last year.

As the APMI, we welcome the legislation on the horizon. However, that legislation must be well thought-out, and well planned. We don't have the luxuries of larger markets, so the proposed model must be highly sustainable. If we make a mess of this market, manufacturers will simply pull out—and that is not a fixable scenario.

As APMI, do you have the kind of structured agreements with the government that IPHA enjoys?

We do. Under our most recent agreement, ratified around the same time as IPHA's—November of 2012—we agreed to an interim pan-market price reduction of 15%; however, as soon as interchangeability and reference pricing is defined, we will shrink pan-market prices by another 15%.

I think that with an agreement of this sort—a deal that offers such clear-cut savings—the details will not take very long to reach legislative approval, particularly when the IMF are involved in getting the Department of Health to make the switch towards better regulation of the generics market.

How fast is the generics market growing in Ireland today?

It has been growing between 35% and 40% year on year for the past 18 months. Previously, the market had been somewhat stagnant at roughly 12% of the overall market share. This is all value growth—despite the cutbacks we have seen—and it is due to the increase in volume.

Is the market going to get more crowded?

Ireland is a very small market, so I believe there would only be room for a new competitor that specialized in niche generic products, rather than a company that tried to enter the market and

begin to compete with established players in large therapeutic areas. We view the market as rather unattractive for new companies, particularly because prices have come down so much, notwithstanding the growth that is forecasted for the sector.

Is the bias towards branded products going to endure in Ireland?

The government is already in discussions with the Irish Medical Organization and the ICGP to remove brand names from all off-patent prescriptions and use only the INN. I also think that regardless of what the doctor prescribes, interchangeability will define what happens. For example, if one has brand name X written on their prescription, the pharmacist will be able to have a discussion with the patient and advise them on the different products available that can offer the same efficacy at a different price point.

What will this industry look like in five years?

We are very upbeat when we think of the future of generics in Ireland. I believe we are going to see an acceleration of growth in volume, while still delivering cost benefit to the Department of Health. Perhaps if we can assist the government in making significant savings on their healthcare budget, it may be possible that other areas of public health in Ireland can benefit from those savings. As the APMI, we are also very confident that our role in the broader pharma industry will grow in prominence over the coming years.

In five years time, I believe generics will take up to 90% of the public market in the off-patent space—up from about 50% today—with the originator brands retaining the remainder. In the overall market, I believe generics will constitute 35% share—up from about 18% today. I would like to reach the level of generic penetration in Ireland that we see in the UK.

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