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Drug pricing and reimbursement will impact negatively on pharma industry: GlobalData

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In 2019, drug pricing pressure from regulators, patients, politicians and payers will remain and aggressive negotiation tactics to drive down drug prices are expected, says Global Data, a leading data and analytics company.

The company's latest annual outlook report, 'The State of the Biopharmaceutical Industry – 2019', reveals that 51% of global industry respondents believe that drug pricing and reimbursement constraints will have the greatest negative impact on the pharmaceutical industry in 2019.

According to Bonnie Bain, PhD, Global Head of Pharma at Global Data, this response is not surprising, especially given that increased pressure from the Trump administration led to price freezes in 2018.

"Despite this pressure, about three dozen drug manufacturers rang in the New Year by raising prices on hundreds of drugs in the United States. The average price increase was about 6.3% and includes branded as well as generic drugs. Both democrats and republicans have reacted strongly to these latest increases and it could be an opportunity for bipartisanship to bring the cost of prescription drugs down."

Even though Brexit and US political uncertainty were high profile news stories in 2018, the respondents viewed them as a distant second at 11% each. Contrastingly, respondents were mixed on the factors that would have the greatest positive impact. The Rise of China, vertical integration and patent expiry of biologics are expected to have an equal impact at 20% each.

Dr. Bain says: "Cost containment measures such as price and reimbursement cuts are leading to tougher market conditions for drug manufacturers and shrinking profit margins. In response to these pressures, companies are reassessing their strategies and market focus.

“Companies will need to adopt more flexible pricing strategies to maximize return on investment and negotiate earlier with payers – as early as Phase II. Conversations with payers will also be a lot tougher and go beyond price to demonstration of value to specific patient sub-populations.”

Despite concerns about a trade war between the US and China, it is not a surprise that China is still viewed as a huge market opportunity for the pharmaceutical industry.

According to Dr. Bain: “China has a large population with a growing middle class and it has become a leader in R&D innovation for medicine, particularly regenerative medicine and perhaps even gene editing based on the news from late 2018. The big challenge that companies will face is how to best navigate the Chinese regulatory and commercial landscape.”

The healthcare industry saw several big vertical integrations in 2018 such as Aetna/CVS and Cigna/Express Scripts. These deals are touted as opportunities to gain efficiency and lower cost of care, but it is still too early to determine their long-term impact. The one thing that is certain is that this trend will likely continue in 2019, as the industry looks for new ways to control costs and increase margins.

While 30% of respondents believe that patent expiry of biologics will have a major impact in 2019, GlobalData anticipates that the immediate impact will be less than expected, particularly in the US. Although several biosimilars are now approved in the US, the pace of their subsequent launch and market growth remains slow and most biosimilars still face stiff legal battles. On average, the price differential between biosimilars and their branded counterparts is only about 30% which is significantly less than the cost savings seen with the average generic drug.

Dr. Bain concludes: “Despite the slow start, I still expect that biosimilars will eventually contribute cost-savings in the US, but it will be beyond 2019 and the level of savings will vary because significant uncertainty still exists for reimbursement, automatic substitution, competition from next-generation biologics and litigation.”