Opening statement by
Ms Sandra Gannon,
General Manager, Teva Pharmaceuticals Ireland,
to the Oireachtas Joint Committee on Health and Children,
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Good morning.

Chairman, Committee and Oireachtas members.

My name is Sandra Gannon, and I am the General Manager of Teva Pharmaceuticals Ireland. I am joined today by my colleague, Aideen Kenny, Head of Commercial Operations at Teva.

Firstly, a very brief overview of Teva Pharmaceuticals Ireland.

Teva in Ireland

Teva operates in both the generics and branded medicines markets, with generics being our primary area of focus.

We employ over 500 people in Ireland at two locations – our global respiratory manufacturing, research and development facility in Waterford, and our commercial division in Dundalk.

Teva is now the largest supplier of prescription medicines in Ireland, the first time a generic provider has occupied this position.

In real terms, that translates into almost eight million packs of Teva medicines being distributed here each year. Every four seconds a patient somewhere in Ireland takes a Teva medicine.

Our innovative or branded portfolio includes medicines that treat a variety of conditions, including cancer, pain, respiratory disease, central nervous system disorders and women's health.

Introduction

The cost of prescription medicines is a matter that Teva has a particular perspective on.

The change that has taken place in this area in recent years, particularly the past two to three years, has been considerable.

The catalyst for this change was the decision of the State, the largest purchaser of medicines in the country, to meaningfully embrace the savings that were to be had by switching to generics.

The Health (Pricing and Supply of Medical Goods) Act facilitated generic substitution at pharmacy level, and benchmarked Irish prices against the wider European market in the form of reference pricing.

Teva actively supported these reforms, inputting into the legislative process.

In parallel, we undertook a national campaign called Understand Generics, which, with the help of broadcaster, Gay Byrne, aimed to inform patients on how they can better manage and pay for their healthcare needs.

We were one of the few pharmaceutical companies to take this approach.

Then, just 10% of our medicine volumes were generics. Yet the UK equivalent was 80%.

Generic medicines now accounts for almost 34% of the total Irish pharmaceutical market by volume.

So, we have come a long way in a very short time.

We estimate that in its first full year in operation, reference pricing and generic substitution has generated over €150 million in savings.

This advancements come against the backdrop of broader developments too.

Consider the work of Dr Sara Burke, Health policy analyst, and Research fellow at the Centre for Health Policy and Management at Trinity College Dublin.

A summary of TCD's Resilience Project, shows that between 2005 and 2013:

- The number of people covered by public health funded medicine schemes increased considerably, as did the number of medicines dispensed through the public health schemes;

- At the same time, the cost of drugs under public health schemes have decreased, and remain today at levels equivalent to 2009;

- Total payments by the HSE, including professional fees and drug costs, also continue to remain below 2009 levels.

Credit is due to many, including many of you in this room, for ensuring that Irish taxpayers and patients realised the financial and health benefits that were to be had by switching to generics.

So, progress has been made.

Future

However, it is my firm view that the reforms of recent years are ill-equipped to deal with the future demand for medicines. We must approach this problem head-on with innovative thinking and collaborative solutions.

Let me explain.

As recent as last week, the ESRI published numbers which show that we are living longer, but not healthier lives.

Life expectancy now stands at 81, but:

- 50% of the population have two or more chronic diseases;
- 61% of all adults are overweight or obese;

The HSE has stated that within five years:

- incidents of chronic disease will increase by a further 40%;
- The numbers with heart disease – the biggest killer of people in Ireland - will grow by another 31%;
- 30,000 new cancer patients will be diagnosed each year between now and 2020.

The Irish Longitudinal Study on Ageing (TILDA) states that the *"combination of population growth and ageing will increase demands for treatments by between a quarter and a third by 2026 if current approaches to treatment continue."*

Add to this too the fact that new prescription charges now exist, and that the threshold for drug reimbursement scheme has increased, shifting a greater proportion of the cost of medicines onto patients.

These realities solidify the scale of the challenge.

We all agree for the need to find a sustainable means of meeting our ever increasing healthcare demands.

Which is why the pace of reform, and overall approach to medicine spending, must change.

This year, Ireland will save an estimated €95million in prescription medicine costs as a result of the legislative change.

Yet, Teva estimates that we could achieve more than double that saving by taking a broader approach.

We estimate that some **€113 million** per annum in additional savings can be achieved in four specific areas;

- **€60 million** by opening up competition in the low value/volume medicines market, which currently costs taxpayers €200 million each year;

- **€25 million** by instructing our hospitals to switch from expensive biologic medicines to the more affordable, equally effective, biosimilar medicines where are available. This is what all the benchmark countries we look to have been doing for years. Yet, some of the country's largest hospitals continue to forego the savings available in their procurement processes;

- **€15 million** by allowing pharmacists to dispense more affordable generic medicines to those patients who are presenting for the first time. Do not switch existing patients from one medicine to another. Simply ensure that those who are starting out on medication for the first time do so on an affordable generic;

- **€18 million** by incentivising cost effective prescribing for what is known as non-interchangeable medicines, such as inhaler devices, which currently have an annual cost of €72 million.

This is where the savings opportunity exists in the system.

Realising these savings is achievable, by one or more of the following;

- straightforward amendments to existing legislation;
- making them agenda items as part of this year's negotiations with the Irish Medical Organisation;
- amending the current industry agreements to change the price entry point;
- ensure prescribers and procurers take a more proactive approach to cost savings in their prescribing.

We have presented our proposals in this area to the HSE, Department of Health, and Department of Public Expenditure and Reform. We remain open to engaging with them and others to help realise these savings benefits.

However, there appears to be a view that there are still savings to be had from those drugs which have seen their prices cut by up to 90%.

In recent days, we, like our peers, have been informed that under the guise of reference pricing, further 'second round cuts' of up to 40% will be imposed on certain generic medicines.

For me, and I know I am not alone in this view, such attempts, while on the surface popular, will ultimately prove counterproductive.

If I take the example of one of our medicines, Atorvastatin, which treats high cholesterol.

The HSE has proposed a revised reference price of €2.52 for the 10 milligram pack of Atorvastatin containing one month's supply of that medicine.

If this is to be the case, here's the financial scenario for that particular medicine;

- The State will recoup €2.50 in the form of the prescription charge;
- We, the manufacturer of the drug, will earn €2.52;
- From this, we have to pay:
    - A fee per pack to the wholesaler to store and distribute the medicine across 26 counties;

- We will pay our regulator, the Health Products Regulatory Authority, annual maintenance fees, pharmacovigilance fees, audit fees, and licence variations;

- The cost of producing a unique pack solely for the Irish market, and related transport costs to get it to the market.

In effect, it now means that the State will recoup almost 100% of the cost of the medicine from that patient.

Meanwhile, the company who manufactures, transports, complies with quality and regulatory requirements, and carries all the risk, is not in a position to supply the product to the Irish market for any return.

I wish it were otherwise, but this approach is simply not sustainable.

Any of three things will happen:

- If manufacturers of this generic medicine cannot support it at a reference price of €2.52, patients, including many on medical cards, will have to make-up the difference between the reference price and the price the manufacturers can support;

- Companies like ours, faced with the choice of either incurring losses or withdrawing medicines from the market, will be forced into the latter;

- In turn, this will, as has been the case recently, lead to medicine shortages. Furthermore, where shortages occur, it more often than not results in the HSE having to source an emergency, unlicensed and more costly alternative.

Conclusion

The challenge for all of us – Government, the pharmaceutical industry, retail pharmacy and others – is meeting patient needs sustainably.

We also have to consider as a nation the value we put on medicines.

Is it realistic to expect that we pay less for the medicines we depend upon than we do for a take-away coffee?

I, and others, including policy makers, do not believe it is.

We have to be realistic in our approach.

We have to base our decision making on sound healthcare and market realities.

As I said at the outset, generics have and will continue to transform the market.

The pharmaceutical price of medicines in Ireland is now on a par, and better in many instances, than other European countries.

2015 is a big year for those of involved in this area. The decision makers, in their negotiations, have important choices to make.

We urge them and you as a Committee to intensify reforms, grasp the opportunities on offer in those areas we have identified, and take a balanced view on what the future looks like.

Such an approach will deliver more savings for patients and the taxpayer, without jeopardising the prospects of those who, through their actions, have been central to delivering the advancements of the past three years.

Thank you.

ENDS