

Another study estimated annual savings of 1.6 billion euros across Europe, from a 20% price reduction in the five most popular patent-free biologics (Oldham, 2006). Given the high costs of development and manufacturing, prices are unlikely to decrease by 80% or 90% as in the generics market. Unlike the generics market where the originators generally did not respond to competition, in the biologics market the originators have actively responded in a variety of ways. They have decreased price, developed second-generation biologics (biobetters), attempted patent extensions, developed better devices for injecting the medicine, and reduced the frequency of dosages. These are also gains from competition from biosimilars. On the other hand, given the higher US biologic prices, there would appear to be more ability to decrease prices than in the EU. In any event, each country in the EU has a unique reimbursement system with different incentives for biosimilar use. Over much of Europe, there has been historically little financial incentive for the patient, the physician, or the pharmacists to opt for lower-priced biosimilar products. The major exception is Germany.

16.18 DISINCENTIVES FOR BIOSIMILARS

Some EU reimbursement systems have resulted in incentives that deter biosimilar competition. Some countries have set biosimilar prices at a fixed percentage below the price of the reference biologic. These mandatory discounts can deter competition. If a manufacturer of an originator biologic decreases its price and if the required discounted price of the biosimilar is too low for biosimilar firms to make a profit, then there will be no biosimilar entry. In Ireland, hospital-level tendering had the perverse incentive that could lead hospitals to choose the highest price biologic because the hospital retained the absolute size of the discount (Morton, FM, Stern AD, Stern S., unpublished). Such disincentives make predictions for the US market uptake more uncertain.

16.19 INCENTIVES FOR BIOSIMILARS

Some countries in the EU have begun to restructure incentives. One such mechanism is tendering, which generally leads to lower prices. Under tendering, part or all of a country's product is subject to a competitive bid, with the lowest priced bidder obtaining an exclusive arrangement with that country or region to provide the medicine. In 2014, the Norwegian Medical Agency received a 39% discount for the infliximab biosimilar, Remsima by Orion Pharma (Benassi, 2014). In 2015, the discount was increased to 72% (Generics and Biosimilars Initiative, 2015). Hospira, which offered the same product, had offered a 51% discount. In England, each hospital has a set budget and has the incentive to purchase the lowest priced alternative and can thus use the savings to provide other medical services. As a result, biosimilars constituted 80% of G-CSF sales in the UK. UK hospital physicians moved G-CSF back to first-line treatment when prices decreased and thus increased access.

16.20 GERMANY'S EXPERIENCE

Germany has been successful in terms of usage of biosimilars. The German government has an incentive system that encourages the use of biosimilars. Germany has