COUNTRY REPORT

SPAIN

OVERVIEW

Population: 46,081,574 (2010)
Life expectancy: 81
Male: 79
Female: 85
GDP growth (annual): -0.1 per cent
GNI per capita: $31,750
Health expenditure per capita: $3,075
Health expenditure total of GDP: 9.7 per cent
(Source: World Bank, 2010 and 2009)
Capital: Madrid
Prime-Minister: Mariano Rajoy
Language: Spanish
Currency: Euro

EXECUTIVE SUMMARY

• Spain faces a major financial crisis with a bloated budget deficit, five million unemployed and a shrinking economy
• The healthcare system is universal and free at the point of delivery and highly decentralised, which is a tough environment for the pharmaceutical industry
• Choice is limited in the national health service, waiting lists are long, but patients are satisfied with the services provided by the state
• Pharmaceuticals account for a larger share of healthcare expenditure (20 per cent) in Spain than in most other European countries
• Healthcare and pharma expenditure, particularly for hospital drugs, have been steadily growing in the last few years, despite austerity measures
• The system is overstretched with autonomous regions owing millions of Euros to suppliers such as the pharma industry. Price cuts and unpaid bills are hitting hard and the pharmaceutical industry is bracing itself for more cost-containment
• The pharmaceutical market contracted by eight per cent in a year, creating fears that disparate and heavy regulations and late payments will deter foreign investment
• Private sector investment in R&D is falling and big pharma companies are reducing their presence in Spain
• Patent-protected products still manage to cling to profitability, particularly in the hospital sector
• Smaller firms reliant on other European markets suffer the most with the recession
• Mandatory generic prescribing was introduced in 2011 and is expected to boost the frail generics market
• Generics represent around 10 per cent of the market, but show consistent growth, even with significant price cuts imposed by the last government
• Sales of non-reimbursable and over-the-counter drugs have fallen due to historic low demand in the current recession
• The biotechnology sector is one of the fastest-growing business sectors, boasting the highest number of companies in Europe, and its outlook is positive.

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INTRODUCTION
The Spanish economy is the fifth largest in Europe and twelfth in the world by nominal GDP. After joining the EU in 1986, Spain enjoyed an economic boom for more than a decade with above-average GDP growth, entering the global recession in 2008 and barely recovering. A severe drop in consumer spending has been coupled with rising unemployment and a sharp decline in construction and tourism, the two most dynamic sectors in the economy until the financial crisis. The government budget deficit worsened from 3.8 per cent of GDP in 2008 to 9.2 per cent of GDP in 2010, well above the eurozone ceiling. Spain’s economy is contracting and the country is next to join the eurozone critical list alongside Ireland, Italy, Portugal and Greece.

The government responded late and erratically with labour market reforms, privatisations, tax increases and expenditure cuts, but Spanish banks were suffering from overexposure to the ailing property market and the construction industry bubble. The regions poured money into ‘white elephant’ projects backed by small savings banks or ‘cajas’ in the hope that house prices would go up. Overspending, bad debt and repossessions have plagued the economic landscape, which is now populated with 700,000 empty homes. Unemployment in Spain is the highest in the EU according to the Organisation for Economic Co-operation and Development (OECD), standing at 22.6 per cent. Youth unemployment is 46 per cent, prompting a wave of protests across the country.

Economist Raj Badiani, from IHS Global Insight, told PME: “The near-term economic outlook has deteriorated, with the latest economic indicators and survey data pointing to a recession spanning the final months of 2011 and the first half of 2012 ... the Spanish economy will have to endure some fall-out such as yet another rise in bond yields, a deep credit crunch resulting from banking-sector concerns and persistent financial market turmoil. This will be a further blow to already dismal levels of consumer and business confidence.”

Spaniards benefit from free healthcare and have an average life expectancy of 81 years. However, an estimate cited in The Economist predicts that health costs will double in the decade to 2018, concluding that ‘soaring drug bills, an ageing population, slack cost controls and reduced tax revenues are testing the system to breaking point’. (‘Fat-trimming needed. The cost of health care in Spain is spiralling out of control’, The Economist, September 2011).

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Spain is spiralling out of control

The new government will have to deal with the highest unemployment rate in the EU and, for that, it must restructure labour laws and financial services to present a confident new face to the markets. Rajoy told Spanish media that to control the budget “was not a political option but an imperative necessity”.

Recent reports suggest that the new prime minister is planning to create a ‘macro-ministry’ grouping work, health and social affairs together. Currently, healthcare is under the Ministry of Health, Social Policy and Equality.

The Zapatero government had a strong social undertone to healthcare, such as fighting inequality and making the ‘morning after’ pill available, which was deeply controversial. Rajoy is much more concerned with economic reforms and personal freedoms, having hinted that he could relax the anti-smoking ban in bars, for example.

HEALTHCARE
The World Health Organisation ranks Spanish healthcare seventh in the world and the Spaniards are the second most satisfied with their services in Europe (behind France), with 68 per cent happy with the care received, as indicated in an opinion poll by the Centre for Sociological Studies (Centro Investigaciones Sociológicas [CIS], Barómetro Sanitario, 2010).

UNEMPLOYMENT IN SPAIN (%)
Health indicators have been steadily improving since the 1970s, thanks mainly to better living conditions, public health interventions and advances in medical care. Spain has achieved some progress in cutting the number of smokers to 26 per cent in 2009, down from 41 per cent in 1985, according to OECD figures. Another issue of concern is the rise in the obesity rate, standing at 16 per cent in 2009, which is higher than in other countries with Mediterranean diets, such as France (11 per cent) and Italy (10 per cent).

Life expectancy is slightly above the EU average and the main causes of death are circulatory and heart disease, followed by tumours. Breast cancer is the most prevalent for women and lung cancer is the biggest killer among men.

Patients in Spain have access to the latest drugs and technologies. There are 804 hospitals, half of which are public, and primary care is the main priority. Spain is also a world leader in organ donations, with a rate of 34 donors per million inhabitants, which is double the EU average.

### FREE ACCESS TO CARE

Free healthcare provided by the state is safeguarded in the Spanish Constitution of 1978.

The Spanish National Health Service (Sistema Nacional de Salud [SNS]) is better described as a system of health systems. It is almost universal and is financed by taxes, having shifted from an insurance-based scheme, as established in the Ley General de Salud (or Lluch law) of 1986.

Before that, during the Franco Regime, it was tied to the Social Security Law of 1956 that covered only 40 per cent of the population, which helped launch the foundations of a strong private healthcare sector.

The interterritorial Council of the National Health System was born in 1987 to provide co-ordination between central government and the regions. The system is now decentralised, focuses on primary care and equality and aims to engage patients.

Previously, the National Institute of Health, INSALUD, oversaw services, but power has passed to the regions and it is now defunct. The National Public Health law, passed earlier this year, focuses on prevention and updates legislation regarding care. Another law regarding ‘Science, Technology and Innovation’ was also approved to attract desperately needed investment to the sector.

The Institute of Health Carlos III plays an important part in promoting and co-ordinating biomedical research, the provision of healthcare services and the training of public health staff. Its Agency for the Assessment of Health Technologies (AETS) supports research and scrutinises medical technologies and treatments for effectiveness and economic efficiency. Current projects include reviews of radiotherapy for lung cancer, treatments for endometriosis and economic evaluation of rotavirus vaccine.

### GOVERNMENTS’ GROSS DEBT

![Graph showing governments’ gross debt](source: Eurostat, 2010)

**DECENTRALISED SYSTEM**

Although healthcare is free at the point of delivery for consultations and treatments and co-payment of medicines is generous, the system is heavily regulated, choice is limited and waiting lists are longer than in other countries like France.

Healthcare staff are salaried employees, virtually public servants, paid by the state. There are fewer nurses than in other developed nations and their role is more limited than in countries such as the UK. Patients are assigned a primary care general practitioner (médico de familia or médico de cabecera) depending on their address and cannot easily change doctors, unless they opt for private care. The GP can then refer the patient to a consultant or specialist. Most doctors also have private practices or work in private hospitals.

Due to the decentralised nature of the Spanish state, the autonomous regions run their healthcare services with little input from Madrid, leading to wide variation in budgets and quality, since they apply for funds from central government on the basis of population and other demographic indicators. It is a complex system with regulations changing from region to region. Former socialist health minister José Martínez Olmos told El País newspaper that regions governed by the Conservative Party (PP), such as Madrid, Valencia, La Rioja and Galicia, were able to divert funds allocated to health to other projects. They have also been more open to public-private partnerships, whereas PSOE (Socialist Party) administrations favour public financing of the SNS.

### CAUSES OF DEATH IN 2009 (%)

<table>
<thead>
<tr>
<th>Cause of death</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Circulatory system</td>
<td>31.2</td>
</tr>
<tr>
<td>Tumours</td>
<td>27.3</td>
</tr>
<tr>
<td>Respiratory system</td>
<td>11.2</td>
</tr>
<tr>
<td>Digestive system</td>
<td>5.08</td>
</tr>
<tr>
<td>Nervous system</td>
<td>4.88</td>
</tr>
</tbody>
</table>

![Table showing causes of death in 2009](source: Instituto Nacional de Estadística (INE), Spain’s National Statistics Institute)

### DOCTOR VISITS PER PERSON PER YEAR

![Graph showing doctor visits per person per year](source: OECD)

**Germany**

**Spain**

**France**

**UK**

Source: OECD
HEALTH EXPENDITURE

However, the central government is responsible for strategic areas such as overall co-ordination and pharmaceutical policy through the ministry of health.

Around 16 per cent of Spaniards take out medical insurance to be able to choose their doctors and avoid delays, and the private market is dominated by Sanitas (Spanish arm of Bupa) and Asisa.

HEALTHCARE EXPENDITURE

The percentage of GDP allocated to health increased from nine per cent in 2008 to 9.5 per cent in 2009. In Spain, 73.6 per cent of health spending was funded by public sources in 2009, slightly more than the OECD average of 71.7 per cent.

According to the ministry of health, expenditure in 2010 was €68,828m, around €1.42 per capita. Hospital care and specialised services account for 54 per cent of public healthcare costs and pharmaceutical expenditure is around 20 per cent. In 2011, the healthcare deficit is estimated at €15bn, an urgent issue that the new government will try to address in 2012.

Despite the grim economic climate and 10 years of cost-containment measures, healthcare expenditure had been growing steadily and the autonomous regions’ debt has been passed on to pharmaceutical companies and other suppliers. They are owed over €5bn, with some invoices outstanding for nearly two years – with Valencia and Andalucia leading the league table of debtors, according to the industry association, Farmaindustria.

Staff costs are partly to blame, accounting for half all of expenditure, but pharmaceuticals are a significant part of the bill. Spaniards consume 40 per cent more medicines than Britons, per head.

In Spain, patients pay 40 per cent of the price of a prescription drug, while those with chronic diseases such as asthma, epilepsy or diabetes pay 10 per cent and pensioners are exempt from any co-payment.

Experts explain the rise in expenditure as being due to factors such as the ageing population, immigration and increase in the number of outpatients with conditions covered by the national health service’s pharmacy budget. Many fertility treatments, for instance, are offered in hospitals at no cost and patients have access to an array of new medicines for a range of illnesses. In fact, 90 per cent of new drugs approved by the Medicines Agency become available in public hospitals. Some regions, such as Catalonia and Andalucia, also fund sex-change operations.

Pharmaceutical expenditure for hospital drugs has grown 55 per cent in four years, according to IMS Health. This increase is questioned by those who believe that costs are out of control and do not fit into the budget trimming necessary to ride the current recession and stave off the threat of Spain having to request an EU bailout.

The autonomous regions also owe another €5bn in health supplies and devices and more to pharmacies and clinics, which, added to the debt to the pharmaceutical industry, is estimated to total €15bn. Pharmacies also saw a direct sales tax introduced, ranging from eight per cent to 15 per cent, depending on size.

In the central region of Castilla-La-Mancha, pharmacists have been on strike to protest against the government for owing them €150m in unpaid bills, according to the Regional Pharmacists Federation.

The new political scenario will not impact instantaneously on regional budgets, but changes are gaining pace. In Catalonia, where doctors have been striking against cuts, the head of the Catalan Health Department, Boi Ruiz, told El Pais in November 2011 that “adjustments will be made in 2012, but the quality of the services to patients will be maintained”. Ruiz also suggested the introduction of compulsory private insurance, which is deeply controversial, as well as the introduction of a ‘moderating ticket’ or a fee of between 20 cents and €1 per prescription to be paid by patients, ‘to avoid the abuse’ of public-funded medicines and make savings. However, pensioners would still get complete reimbursement.

The Catalan authorities have signed a deal with AstraZeneca to purchase the lung cancer drug Iressa (gefitinib) and pay depending on results. Full market price will be paid to the pharma company after treatment has been proved to produce results. This is the first pilot scheme in risk-sharing with 50 patients as a public-private partnership between the regional health authority, its oncology institute and a company to provide access to innovative medicines and cost-containment. It is likely that this pioneer project will become the model for market access of innovative medicines in Catalonia.

In the Madrid region, for instance, the regional authority has proposed that wealthy pensioners should co-fund their medicines to reduce the deficit and avoid ‘pirating’, which is where they acquire pharmaceuticals for the rest of the family free on the SNS.

MARKET ACCESS AND PROMOTION

Decentralisation combined with low prices are challenging for companies accessing the Spanish market. Despite the fact that it is the ministry of health that sets prices, the regional authorities perform drug evaluation and advise the central government. Health technology assessment agencies are crucial for drugs to gain approval on to the regions’ reimbursable lists. Stakeholders in the Spanish market can accumulate several roles, as prescribers, advisers and decision makers.

Market approval of medicines is granted by the European Medicines Agency (EMEA) or the Spanish Medicine Agency (AEMPS), the regulatory body in charge of quality and safety control. Drug companies provide all the necessary information about the product to the health ministry’s Pricing Commission (CIPM) that then decides if it is to be included in a reimbursement list and that decision is applicable across the whole country.

In the data provided by pharmacy companies there must be information regarding cost of the drug per day, compared to other products, price in other EU countries, sales forecast and R&D costs. Apart from the clinical information requested, an understanding of the EU and Spanish regulatory landscape (national and regional) is essential.

Advertising of pharmaceuticals is regulated by EU and Spanish law with autonomous communities providing specific guidelines. Farmaindustria has adopted a code of conduct regarding prescription medicinal products for human use.

Non-prescription medicines may be advertised to the general public under strict rules and they also have a code of conduct.
NEW LEGISLATION
The Spanish pharmaceutical industry relies heavily on the state as its main buyer. Medicines account for a larger share of healthcare expenditure than in most other European countries, but prices are among the lowest in Europe and have been eroded by repeated price cuts in the last couple of years due to cost-containment.
In August 2011, the government approved a decree to save €2.40bn in pharmaceutical expenditure, added to a similar amount of savings in 2010.
The new law stipulates mandatory prescription by active ingredient, which has been opposed by doctors and pharmacists citing the patients’ well-being. A new price cut of 15 per cent was endorsed for medicines that have been in the market for over 10 years with no generic equivalent, a move the industry dubbed ‘nonsensical’, since the price of such products has already been adjusted.
Compulsory prescribing by active ingredient may not be the panacea expected. In Andalucia, 80 per cent of prescriptions are already by active ingredient and the national average is 50 per cent (by brand name and by active ingredient), which has not been reflected in massive savings. To be able to compete, prices of branded products have been lowered further.
Galicia has decided to create its own reimbursable list and Andalusia pioneered prescription by International Non-proprietary Names (INN) in 2001, which meant its reference price was lower than the national average.
Madrid and Catalonia favour reference prices as a way of curbing expenditure instead.
Chiara Cochetti, Spain and Latin American analyst for IHS Global Insight, told PME: “Specifically in 2012, the new government is expected to be able to assess the implications of the mandatory prescription by active ingredient. We expect the healthcare debt to be reduced significantly in the short term as a result of these new measures. However, there are concerns that the government’s political line might have repercussions on free universal access to healthcare, especially in relation to immigrants and the disadvantaged.”

PRICING AND REIMBURSEMENT
The SNS finances 80 per cent of all pharmaceuticals marketed in Spain. Although pricing is the main responsibility of central government through the ministry of finance and the ministry of health, pharmaceutical policy focusing on ‘volume’ is mainly left to the autonomous regions, which makes the process variable. In and free pricing for non-reimbursable drugs.
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PHARMACEUTICAL INDUSTRY
In 2010, there were 448 pharmaceutical companies registered in Spain, accounting for 20.3 per cent of all private R&D spending in the country.
According to Farmaindustria, the value of Spain’s pharmaceutical market has shrunk by eight per cent (€2bn) in a year and its current estimated value is around €14bn (at ex-factory prices). Apart from running millions into debt, some regions have introduced changes that are affecting the industry and fragmenting the market, the organisation argues.
Farmaindustria predicts a 15 per cent drop in profits for pharma and thousands of job losses in 2012 as a consequence of these latest cost-containment moves. Roche and Pfizer have recently downsized their operations in Spain.
Smaller and national firms are the ones suffering the most, as they rely on the domestic and European markets. Almirall’s chief executive Eduardo Sanchiz told The Wall Street Journal that the government opted to slash drug prices as opposed to restructuring services: “Patients, at the end of the day, are the ones who vote – pharmaceutical companies do not.” (‘Europe’s smaller drug firms feeling pain’, The Wall Street Journal, October 2011).
Low pricing has turned Spain into a source of parallel exports to other European countries and this has created supply shortages in certain areas. GlaxoSmithKline and Pfizer had started the practice of charging Spanish wholesalers a higher price for products that are exported than that for those sold on the domestic market. Although there were dispositions in Spanish law allowing for this, the European Commission ruled it anticompetitive, a ruling later supported by the European Court of Justice. This continues to be a murky area and there is no clear indication from the Spanish government about whether it has any intention of cracking down on parallel trade.
A system of paybacks by pharmaceutical companies to the government is calculated on the basis of their annual sales of reimbursed products, with discounts of up to 25 per cent depending on their investment in R&D in the country.

TOP PHARMA COMPANIES IN SPAIN

<table>
<thead>
<tr>
<th>Company</th>
<th>% market share</th>
</tr>
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<tbody>
<tr>
<td>Sanofi</td>
<td>5.40</td>
</tr>
<tr>
<td>Novartis</td>
<td>5.36</td>
</tr>
<tr>
<td>Pfizer</td>
<td>5.14</td>
</tr>
<tr>
<td>Almirall</td>
<td>5.01</td>
</tr>
<tr>
<td>GlaxoSmithKline</td>
<td>4.35</td>
</tr>
<tr>
<td>AstraZeneca</td>
<td>4.30</td>
</tr>
<tr>
<td>MSD</td>
<td>3.63</td>
</tr>
<tr>
<td>Janssen-Cilag</td>
<td>3.46</td>
</tr>
<tr>
<td>Boehringer Ingelheim</td>
<td>3.39</td>
</tr>
<tr>
<td>Esteve</td>
<td>3.39</td>
</tr>
</tbody>
</table>

Source: IMS Health, 2010 (sales in pharmacies)
Around 90 per cent of pharmaceutical companies are located in the Madrid and Catalonia regions and most of them are small-to-medium-sized firms.

The most consumed medicines in Spain are for hypertension, followed by statins, anti-ulcer drugs and insulin and anti-diabetics.

The ministry of health has launched several campaigns in the last few years to promote rational use of antibiotics and combat high consumption.

National companies include Almirall, Esteve and Zeltia. The latter, through its biotech subsidiary PharmaMar, gained approval for anti-tumour drug Yondelis (trabectedin or ET-743) marketed jointly with Johnson and Johnson.

**GENERICs**

To get a product approved, a generic manufacturer must price its product at a figure 40 per cent lower than that of the original brand.

“Innovative patented drugs are made available to patients free of charge and this strangles the generics market”

Innovative patented drugs are made available to patients free of charge and this strangles the generics market, which has not managed to grow beyond ten per cent of the pharmaceutical market in value and 25 per cent in volume, according to the Spanish generics medicines association (AESEG).

In terms of units, generic penetration is higher in Catalonia, Galicia and Valencia, where awareness campaigns sponsored by the regional health authorities have been particularly successful.

Ángel Luis Rodríguez de la Cuerda, director of AESEG, told PME that the last two years had been very positive. “The regional authorities have realised how crucial generics are as a cost-containment tool in a system where patients can have access to high quality healthcare. Besides, it is a true regulating price mechanism, since it is because of generics that branded products have been lowering their prices. What we need now is more coherence and stability from the central government to help create a true culture of generics in the country and enforce the mandatory prescription by active ingredient across the board.”

Although not engaged in innovation, “generics play an important role in development as a high-productivity industry and employer of 7,000 people, contributing a trade surplus, since we in Spain export 18 per cent more generics than we import,” he added.

Like the R&D industry, generics suffer from the fragmented political system in Spain and what they call ‘unilateral measures’ from the autonomous regions. Price cuts of 10 to 15 per cent had already impacted on sales of generics, but a 25 per cent cut was added by decree in 2010. Delays in approvals, patent litigation, lack of commitment from the authorities to raise awareness and rational use of medicines are also pointed out as reasons for generics’ failure to take off in Spain, says AESEG.

The constant reduction of reference prices has been a serious obstacle to the expansion of the generics sector. However, the market is growing, which is positive in the current recession. The launch of the generic versions of blockbusters such as atorvastatin and clopidogrel have contributed to the upwards trend.

The Spanish Medicines Agency stated that 72 per cent of drugs approved in 2010 were generics, but AESEG says more action is needed.

Like in other European markets, generics will eat into profits of sales of small molecule gastrointestinal, cardiovascular, central nervous system and respiratory blockbusters.

**OTC market**

Only pharmacies are licensed to sell medicines and they are run by qualified pharmacists whose margins are set by the ministry of health. Free pricing is allowed for OTC products, but these products,
like reimbursable medicines, are facing tough conditions with a drop in demand, down to a historic low in 2011.

Spain has one of the smallest OTC markets in Europe, with a retail value of €690m, according to IMS figures in 2009. Their retail price has to be the same in all pharmacies, except for an optional discount of 10 per cent. Pharmacy chains and mail order, as well as advertising of prescription medicines are forbidden by law.

The VAT rate for pharmaceutical products was fixed at four per cent in 1995, reducing previous profits. ANEFP, the OTC industry association, has claimed that more than €1bn could be saved by withdrawing all medicines for minor symptoms from reimburse-ment lists in the case of minor ailments. According to ANEFP, the OTC market has actually shrunk three per cent between 2007 and 2008, which goes against current European trends. In fact, disloyal competition from prescription brands and generics have had a negative impact on OTC in a system where similar drugs exist in the three categories of OTC, branded prescription and generics, creating confusion for patients and losses for OTC manufacturers.

However, with the economic crisis and the promotion of self-medication as a cost-containment measure, OTC may become a winner. With reimbursable drugs’ profits falling, pharmacies find that OTC is representing a higher proportion of sales.

BIOTECH SECTOR

The biotechnology sector is one of the fastest-growing business sectors in Spain with a turnover now exceeding €30,000m. According to the OECD, there were 1,095 active biotech companies in Spain in 2009, the largest in Europe and the second largest in the OECD (behind the US), that will represent 1.6 per cent of GDP in 2012, according to forecasts.

Between 2000 and 2008, the number of biotech companies rose 239 per cent. Of those firms, 399 are strictly biotech and there is a strong spin-off culture with public institutions creating around 10 new start-ups every year, figures from Invest in Spain reveal. Thirty-five per cent of publicly funded research is carried out in the field of biomedicine.

Clinical testing is very cost-effective in Spain. On average, the cost per patient of clinical testing is 30 per cent less than other markets, such as the US.

There are nearly 80 technology parks, the most significant being Parc Cientific de Barcelone, which hosts the European Observatory for Biotechnology, and the Parque Tecnologico de Madrid. According to the Royal Society, Spain is ninth in the world in terms of scientific paper publications in medicine. (Knowledge, Networks and Nations: global scientific collaboration in the 21st Century, March 2011).

The Health Innovation Alliance is a recent protocol, endorsed by the Ministry of Science and Innovation and co-ordinated by Instituto Carlos III, to define a new strategy for biomedical research and innovation. Among the partner signatories are Farmaindustria, Fenin (medical technologies suppliers association) and others such as PharmaMar, Lilly, Grifols and Ferrer.

In a bleak economic environment, the biotech industry is fast replacing other failing sectors as a good investment bet.

Positive signs include the European Commission approval of PharmaMar’s Yondelis, for ovarian cancer, the new treatments for cancer from the Centre for Applied Medical Research (CIMA) at the University of Navarre, the establishment of CITRE (Celgene Institute of Translational Research) in Seville by Celgene.

“Despite the economic crisis and lack of funding, biotech companies keep on growing and developing partnerships. We forecast a positive outlook with the support from the government and the private sector,” Asebio sources told PME.

TRENDS AND OUTLOOK

As a pillar of the welfare state, universal, free and good quality healthcare will continue, but who will pay the bill? The new government is looking for efficiencies, such as rationalising drug use, reforming exemption on any payments for pensioners, moderating tickets and risk-sharing in access to new costly drugs and treatments.

“The culture will have to change ... and it will take more than 10 years for a decentralised and fragmented market to catch up with the rest of Europe”

The pharmaceutical industry in Spain faces a challenging future with expenditure cuts on the agenda to control Spain’s public deficit and avoid an EU bailout in the near future. Price cuts and other cost-containment measures will be employed and delays in payments, which are not new, seem to be a feature of this market. Costs will have to be transferred to the patient, an unpopular measure that will add to the current growing social unease in a country with soaring unemployment and an ageing population.

Farmaindustria is lobbying for a plan to sell state-guaranteed securities, channelling the proceeds to the companies. “It would allow the payment of the debt to be deferred by several years and has a government guarantee which allows it to be sold in the market,” Humberto Arnes, director of Farmaindustria, told Spanish press earlier in 2011. “The mechanism allows a delay until Spain is in a financial and economic situation that allows it to face the pharmaceutical bill,” he said.

It is likely that, to achieve savings, more price cuts will be imposed or voluntarily taken by the industry.

The generics market may receive a boost with the recent mandatory prescription by active ingredient, but the culture will have to change fundamentally and it will take more than 10 years for a decentralised and fragmented market to catch up with the rest of Europe.

Pharmacies are also struggling, as they, like the pharma industry, depend heavily on the state as the main buyer. Both small and medium pharmacies and pharma companies may close.

More public-private partnerships will appear in pharma and biotechnology to sustain the high level of investment and development and access to cutting-edge medicines and therapies seen in Spain in the last years.

Here, as with generics and OTC, opportunities for growth remain, as the old model of relying on the welfare state and the focus on reimbursable innovative medicines has its sustainability put to the test.

Despite the grim economic outlook and issues affecting growth for the sector in Spain, the market size, skill-set and its biomedical-friendly environment may well continue to attract investors.

The Author

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