



Generic medications: what you should know

Generic medication basics

Generic medications contain the same ingredients in the same amount and the same form as their brand-name counterparts. Generics only become available after the patent expires on the brand-name medication. In some cases, the pharmaceutical company that makes the brand-name medication also makes the generic medication. Generics are just as safe and work just as well as brand-name medications—but they usually cost much less. Generic medication manufacturers must prove their medication is the same as the brand-name medication. The Food and Drug Administration (FDA) ensures that generic medications perform the same as the brand-name medications.

Generic medication costs

While generic medications continue to be less costly than brand-name medications, their **costs have increased by 10% over the past year**. Some factors for these cost increases include:

1. Markets with limited entry

According to the FDA, the number of generic medication competitors increases as markets get larger. Smaller markets tend to attract fewer generic competitors. And in some cases, there may be no market entry at all.

2. Market consolidation

Mergers and acquisitions involving generic medication manufacturers means fewer competitors developing a specific generic medication.

- **For example:** Teva Pharmaceutical Industries Ltd., of Israel agreed to buy the generics division of Allergan PLC of Ireland, uniting two of the world's biggest generic medicine makers.¹

3. Patents, approvals and exclusivity

Significant price increases have occurred after a brand-name medication manufacturer received new patents or market exclusivity associated with new approvals that are designed to reward innovation.

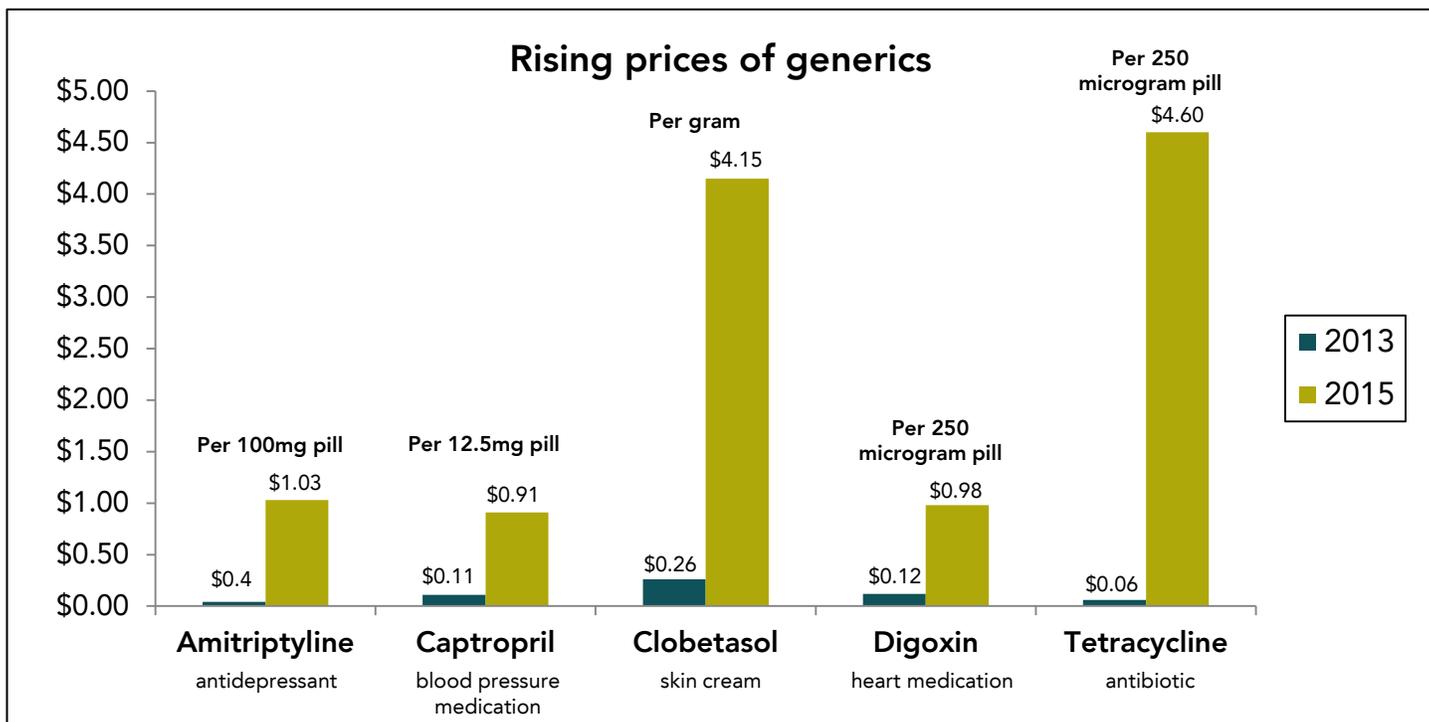
3 things you should know about generics

1. The state of Massachusetts mandates that all prescriptions written, unless specified by the prescribing provider, will be dispensed as the generic form.

2. Generic medications make up **85% of Fallon Health's utilization**, but just 30% of all pharmacy costs.

3. In order for new branded medications to gain approval, manufacturers must submit a new drug application (NDA) to the FDA. Generic medication manufacturers are able to submit abbreviated new drug applications (ANDAs) to the FDA that rely on the safety and efficacy evidence previously submitted by the brand-name medication manufacturer.

Each of the factors listed on the other side puts upward pressure on the cost of generic medications. The chart below highlights how select medications have changed in price between 2013 and 2015.



Source: EvaluatePharma.

Why you should care

When it comes to generics, less expensive does not mean lower quality. Because generic manufacturers don't have to pay for expensive clinical trials, research and development, marketing and promotion, they are able to sell their medications at much lower prices than the brand-name medication. However, as outlined on the previous page, generic prices are increasing, despite the advantages they enjoy. For more information about all the factors contributing to rising pharmacy costs, what steps Fallon takes to alleviate those rising costs and what you, your clients and their employees can do, please see the complete series of our *Pharmacy: A Growing Concern* flyers.

This flyer is one in a series designed to help educate brokers and their clients about pharmacy costs and trends. To view the complete series, please visit fallonhealth.org/brokers.

Data from the Department of Health and Human Services "ASPE Issue Brief: Understanding Recent Trends in Generic Drug Prices" (1/27/2016) was used for this document.

¹EvaluatePharma – Priyanka Dayal McCluskey Globe Staff, November 06, 2015.