

## How important is patient brand loyalty in the uptake of generic drugs?

**by Joan Costa Font, Caroline Rudisill and Stefanie Tan**

*Many western countries have developed policies to promote the substitution of branded ‘originator’ drugs with generic drugs, with the aim of containing pharmaceutical costs. However, success has been patchy and in some countries the phenomenon of the ‘generics paradox’ has been observed, where manufacturers are able to increase the prices of branded drugs after the market has been opened to generics. Using data from Spain, **our study** explored the extent to which the brand loyalty of patients – as opposed to their doctors or health insurers – plays a part in keeping the market penetration of generic drugs at a low level. Its findings suggest that the uptake of generics could be increased through targeted education and information on the identical properties of generics and the branded drugs they are intended to replace.*

Most western countries have developed policies to promote the uptake of generic medicines with the aim of cost savings in health care. Generic drugs, the bioequivalent copies of a branded medicine, tend to be sold at significantly lower prices because they do not incur research and development costs.

Even so, the growth of the market for generic drugs has been sluggish in many European countries. A central question for governments continues to be how to encourage the take-up of generic medicines. This study has identified the importance of demand-side factors in this process, interventions that focus on patients and prescribers. The one we focus on here is the loyalty of patients to branded products.

This loyalty to originator drugs, which has been seen to result in prices rising rather than falling upon generic entry, has been described as the ‘generics paradox’. This loyalty can emerge for a plethora of reasons; for example, trust in the specific originator brand, perceptions about higher quality and to a certain extent, the continuing prescription of the same product by physicians (despite the existence of substitutes). We know very little about the behavioural underpinnings of brand loyalty from the consumer or patient standpoint. How large is the size of brand loyal consumers? Would brand loyalty respond to changes in cost sharing for generic drugs?

### **Generis acceptance and Brand Loyalty**

The idea that only the least price-sensitive (brand loyal) consumers continue to choose a branded medicine when a generic becomes available can be tested empirically by examining whether higher cost sharing leads to greater willingness to accept generics.

We explored the issue by using Spanish data on the consumer acceptance of generics. The relevance of the Spanish market lies in its **low generic market penetration by volume**, the second lowest in Europe **only after Italy**.

Spain has a history of cost sharing for outpatient pharmaceutical products. Patients’ cost sharing is based on a percentage (40%) of the medicine price, not a flat rate per prescription. All other factors held equal, these co-payments ought to result in greater uptake of cheaper medicines, relative to countries like England with flat co-payments unrelated to drug prices.

### **Results and policy implications**

Our research found only 13% of the Spanish population would not accept generics as substitutes to the originator drug. However, many individuals are exempt from cost sharing and therefore do

not have any financial incentive to choose a generic over a branded originator drug. If we only examine the individuals who are *not* exempt, the percentage of people who would not accept generics drops to 10%. This appears to be a more accurate picture of the magnitude of brand loyal consumers. The latter does not account though for the potential of larger share due to brand loyal doctors.

In addition, our findings indicate that higher cost sharing and exempting fewer patients from cost-sharing have the potential to encourage generic acceptance. Importantly, both educational attainment and awareness of generic drugs appear to explain how readily people accept generics. This confirms that generic uptake might increase with further effective, targeted education campaigns and health communications about generic equivalency.

## Full paper

Costa-Font J, Rudisill C, Tan S (2014) [Brand loyalty, patients and limited generic medicines uptake](#). *Health Policy* (online)

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