The Story of Nexium®, Generic Esomeprazole and the Shortcoming of Mandatory Generic Substitution

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The case of the popular proton pump inhibitor (PPI) Nexium® (esomeprazole), a medication used to treat stomach hyperacidity, is very interesting. It belongs to a class of drugs with a number of very well-known generic alternatives which are widely considered to be equally as effective, such as omeprazole (Losec®), pantoprazole (Pantoloc®), rabeprazole (Pariet®) and lansoprazole (Prevacid®). However, according to our 2010 Cubic Health National Benchmarks, Nexium® was the most commonly claimed drug overall, and the second most expensive drug by amount paid that same year. The impact of Nexium® is apparent in the experience of most plan sponsors we evaluate.

In 2011, esomeprazole (generic Nexium®) was released in a number of provinces across Canada. Initially its distribution was very restricted, presumably due to ongoing litigation between the manufacturer of Nexium® (AstraZeneca) and the generic manufacturer Apotex Inc. over patent issues. Given that Nexium® is not a listed benefit under the public plan in any province except for Quebec, generic pricing legislations do not apply to esomeprazole. As a result, on a per tablet basis, generic esomeprazole currently costs only about $0.50 less per tablet than brand Nexium®. By comparison, an equivalent dose of rabeprazole (generic Pariet®) costs about $1.50 less per tablet than Nexium®.

The bottom line is that esomeprazole is currently priced at more than 80% of the price of brand Nexium® in most provinces. Therefore, cost-savings due to the genericization of this medication may not be as substantial as one would expect until the legal issues are resolved with the patent challenge. This situation of higher generic pricing is a relatively unique case, but the whole discussion around Nexium®, its generic(s) and generic PPIs brings to light two very important points:

- Incredibly, despite all of the generic competition in this very common class of drugs from very well-known drugs like Losec®, Pantoloc®, Pariet® and Prevacid®, Nexium® has done a remarkable job of remaining the market leader within private plans. Plans that may be under significant financial pressure from high proportions of plan spending attributed to expensive specialty drugs (plans we see every day), are leaving a great deal of money on table across the entire class of PPIs.

- Some insurance companies and claims processors are touting the virtues of mandatory generic substitution, and introducing new substitution products and marketing campaigns in this space, even today as we rapidly approach 2012. The problem is that in the case of Nexium®, and its existing higher-cost generic alternative, Mandatory Generic Substitution by itself will not materially impact spending in the PPI category. They key to cost-effectiveness in this category of drugs to date has been through plan designs that don't pay the same for Nexium® or its generic as they would for any other drug in the same class. This is something altogether different from Mandatory Generic Substitution.

If you are a plan sponsor looking for ways to ensure the sustainability of your plan, and/or looking to find ways to be able to continue to afford covering expensive specialty drugs, Mandatory Generic Substitution alone isn't the answer. Nobody is debating the merits of Mandatory Generic Substitution from a cost containment perspective in the case where generic versions of a medication have been proven to be identical to the reference product and are 25-45% of the cost, but by itself, it doesn't ensure plan sustainability.