

Working Paper 4 - Competition Policy

Executive Summary

Competition can reduce prices for medicines and increase availability if the right conditions are in place. There is good evidence that:

- Generic medicine entry and generic competition increase the availability of lowerpriced generic products.
- Competition is most effective when price-conscious, expert institutions are the purchasers rather than individual consumers. Institutional purchasers can speed up generic entry and may even drive convergence of originator brand and generic prices.
- Institutional purchasers of essential medicines may be able to achieve lower prices for off-patent, multi-source essential medicines by using competition, rather than by using price regulation or other forms of price restraint.
- Institutional purchasers can reduce prices for on-patent products that have close therapeutic substitutes or “me-too” versions by inducing competition for formulary listing. Some studies suggest this competitive leverage may have more impact on prices than buyer power from bulk or pooled purchasing.
- When individual consumers purchase medicines out-of-pocket, pervasive asymmetry of information limits the potential for effective medicine price competition for all but the most familiar over-the-counter medicines.

A completely unregulated pharmaceuticals market will not produce effective, efficient competition. Some core forms of regulation need to be in place and adequately enforced to foster healthy competition. These include general laws (criminal law, contract law, and competition law) as well as pharmaceutical sector regulation to ensure the safety and quality of products in the supply chain. These are necessary to mitigate the effects of limited information and knowledge of consumers, retailers and doctors about the price, quality and appropriate use of medicines.

Countries with well-developed and enforced competition laws have been able to use these laws to address anticompetitive practices that can occur at every stage of the pharmaceutical supply chain. Competition law has been used to apply penalties to companies found to have engaged in monopolization and other forms of anticompetitive conduct that led to wrongfully high prices or restricted availability of essential medicines, and required them to change their behaviour.

[Download PDF](#)