

Generics AND Pioneer Products: A Nice Blend

Generics can provide a veterinary practice with options for its client base.

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The conversation on generics and premier brands doesn't have to be an either/or debate. Generics and premier brands can co-exist within the same practice, offering pet owners their preference of brand familiarity or cost-conscious purchases.

Brands still represent the majority of what is sold in a practice, and veterinarians love the advertising and marketing the brands do to create demand. There's an opportunity for the veterinarian with generic medications to be competitive in the marketplace and have a mix where they can offer both. They can analyze their own customer base to figure out who might prefer which, generic vs. a premier brand.

HUMAN VS. ANIMAL HEALTH

In human health, the generics are driven largely by third party pay activities, meaning insurance companies. In animal health, there aren't insurance companies saying you've got to give the least expensive treatment that is viable for a particular scenario that will treat, cure, or prevent something. The generic battles are pretty easy for the generic manufacturers on the human side. It's all about price and volume. It's not driven by the manufacturer – it's driven by the insurance companies and the pharmacies.

In human health, insurance forces the issue, with generics taking nearly 100% of the pioneer's market share in year one. Generics will drive down the prices via contract pricing with insurance companies, and when patients go to get a script filled it will be filled with a generic unless you force the issue and are willing to pay a lot more for the drug out-of-pocket.

In animal health, pioneer brands can continue to thrive or at least survive in most cases for years after generics launch. There is no insurance reimbursement dictating, and veterinarians are slow to change. A lot of the growth we see is really not from stealing share from a pioneer brand, it comes from naïve users that are **moving up from less effective meds and can afford a Rx product** at the lower price point. There are many

DVMs that still have a bias against generics. Some buy into the **perception** that animal health generics may have less quality and may be less effective than pioneer brands. Human physicians understand most generics are made in the same regulated suites as the pioneer brands in there is not a clinical difference.

Veterinary medicine is starting to see pressure from the internet, which is bringing more awareness to the lesser-priced, equal-medication Rxs. By equal, **it's got to have the same active ingredient, the same milligram strength, dosage, administration, efficacy – all those things need to be on par with whichever premier drug that they're representing as a generic. But we don't have a major influence that's pushing generic.**

ANIMAL HEALTH GENERICS STRATEGIES

Generics **can be a win-win for both the vet clinic and clients** for several reasons. Vet clinics **can charge clients less for their meds while making more margin dollars.** More clients can now afford drugs that may have to be given every day for the rest of their pet's lives. Those dollars can add up. Clients on fixed incomes may have made tough decisions that did not benefit their pets in the past, that can now afford their meds.

Another factor to consider is that generics can help keep the dollars in the veterinary clinic. Clients can easily shop and learn that a generic form of a pioneer drug is available on online pharmacies. If a veterinarian does not offer the less expensive generic form, their **client may buy the drug the first time it is prescribed, but they'll lose it to an online retailer the next 100 times** they get a refill.

A small veterinary clinic in an affluent metropolitan area might be a prime target for premier. A mixed animal practice in a more rural area that serves large animal clients as well as companion with a much higher volume of work might be more in tune with generics. That said, assuming what your client really wants or is willing to pay can mean missed opportunities either way.

Benefits of veterinarians offering generics to owners

Benefits for veterinary clinics that offer generics to clients:

- **FDA approved.** Abbreviated New Animal Drug Application (ANADA) products, referred to as “generic,” have the benefit of being FDA approved, have proven the same bioequivalence and cGMP manufacturing standards of the pioneer product, but without the higher price tag. Many FDA manufacturing facilities have both “generic” and “pioneer” products produced on the same line. Both have the exact same requirements by the FDA.
- **Owner compliance.** A generic could make the difference between whether an animal owner can comply with a treatment option or not. This could be due to the financial burden the more expensive pioneer products have versus using a lower cost generic.
- **Straightforward pricing.** From the veterinarians’ standpoint, many prefer the straightforward/upfront generics pricing without the hassle of complicated rebate programs and backend money from some pioneer companies and products.
- **Food animal industry.** For food animal veterinarians it becomes an economic decision as their customers are trying to make a living producing pigs, cattle, or poultry. Generics that have entered the market have lowered the customer price by as much as 50%.
- **Readily accepted and expected.** Just as in human medicine where generics are readily accepted by the consumer, so too are generics accepted in animal medicine. The lower price points are accepted by animal owners, and all veterinarians need to be prepared to offer generics as an alternative or risk their customer going somewhere else for services.
- **Financial.** Generics provide an alternative to higher priced pioneer products to animal owners that may have financial limitations and otherwise might not be able to provide the proper medical and treatment care due to limited financial means.
- **Competition is good.** Generics provide a level of competition and options for both the veterinarian and their customers.
- **Multiple sources.** With supply chain issues occurring more frequently, it can negatively affect product availability, ensuring generic products are inventoried provides more supplier alternatives.
- **Availability.** In some cases, the pioneer manufacturer does not sell products through all distribution channels, so an opportunity may arise with generics.
- **Inventory is the #2 biggest clinic cost.** On average, next to payroll, inventory costs account for the #2 largest piece of the 'expenses pie'. Offering generics can contribute help with decreasing overall Inventory costs and Increasing margins on that Inventory.
- **Options.** When being offered 2 choices, a client is more likely to choose 1 option rather than declining altogether.