

## The stepped price model

The stepped price model was introduced on 1 January 2005 to reduce the costs of the National Insurance and the patients, related to the use of generic drugs. In the stepped price model the price of a pharmaceutical product is reduced step by step by predefined rates. This occurs after the pharmaceutical product has lost patent protection and has been exposed to generic competition. The model has been modified twice after its introduction to reduce prices. The last change was implemented the 1 January 2008.

## The stepped price

The stepped price is the maximum price reimbursed by the National Insurance, or the price the patients pay for a pharmaceutical product that is incorporated in the system.

## Generic substances included in the system

The Norwegian Medicines agency publishes [a list of the generic substances included in the system](#) and [a list of the current prices](#).

## How are the stepped prices set?

The maximum reimbursement price for a generic substance is set as a percentage of the maximum retail price of the original pharmaceutical product (PRP) at the time it was exposed to generic competition. The reimbursement price is cut by two or three steps. The first price-cut takes place when generic competition arises. The second cut is implemented 6 months after generic competition has occurred. The third step is applicable 12 months or more after the time of the second step.

The rates of reduction depend on the annual sale of the product. This is described in the following table:

Sales PRP, 12 months before generic competition		< 100 mill. NOK	> 100 mill. NOK	
	<b>Time of price-cut</b>	Total price cut	Total price cut	Total price cut
1st step	generic competition	<b>30 %</b>	<b>30 %</b>	
2nd step	6 months after generic competition	<b>55 %</b>	<b>75 %</b>	
Sales PRP, >= 12 months after 2 <sup>nd</sup> step		> 15 mill. NOK	> 30 mill. and < 100 mill. NOK	> 100 mill. NOK
	<b>Time of price-cut</b>	Total price cut	Total price cut	Total price cut
3rd step	>= 12 months after 2nd step	<b>65 %</b>	<b>80 %</b>	<b>85 %</b>

The generic substance simvastatin is an exception and the price of this substance has been reduced by 85 % after 6 months.

## **Obligations of the pharmacies and wholesalers**

The pharmacies are obliged to secure the capacity to deliver at least one pharmaceutical product at a retail price equal to the stepped price. If a pharmaceutical product is delivered in both small and large packages, the pharmacy is obliged to deliver both small and large packages to a retail price equal to the stepped price. The wholesalers are obliged to offer the pharmacies pharmaceutical products that enable them to fulfil these obligations.