Access to Modern Medicines Versus Cost Containment

Budapest (February 26 & 27, 2007)

World Bank in Cooperation with the Health Services Management Training Center (Semmelweis University)
Topics for discussion

• How should drug prices be regulated?
• How is the “drug benefit package” defined?
• How to design a manageable reimbursement system?
Information asymmetry distorts markets

Customer ↔ Dealer

Prescriber

Patient

Pharmacist
Prices and markets

Customer ↔ Dealer

Prescriber

Pharmacist

Regulator

Patient
Huge price differences for the same drug in a single pharmacy

Data from a pharmacy in Bosnia & Herzegovina (2005)

Ranitidine 2 and 3 are brands from manufacturers owned by Barr resp. Sandoz, compliant with EU GMP standards
Price differences between two comparable entities – different procurement practices

Comparison between two cantonal reimbursement lists in BiH (2005); retail prices
Pricing and reimbursement

• Two different dimensions
• But connected in various ways
  – Prices drive costs for reimbursement
  – Reimbursement rules influence/distort markets and prices
  – Power over reimbursement decisions can be used to influence prices
  – Dynamic balance – both sides constantly learn and adjust (the question is who is ahead in this game..)
Drug Pricing “Mind Map”

Drug Pricing

Regulation
- Volume competition
- Ceiling or fixed
- Cost plus
- Generics in reference to originator
- Country of origin
- External referencing Single-source
- Distribution margins
- Taxes and tariffs

Free pricing
- For all drugs
- For non-reimbursable
- For OTC

Negotiated prices for HIF
- Value based (HTA)
- Innovative drugs
- Volume caps
- Novelty rebate
- Payment for outcomes
- Negotiated prices for HIF/hospital tenders

HIF/hospital tenders
- Generics
- Preferred brand for reimbursement
- Purchase of defined volume
- Contracting with manufacturer
- Contracting with wholesaler
Drug selection for reimbursement

• Key for long term cost containment
• Generics should be automatically included if quality (price?) are in line with regulation
• Innovative branded drugs need to be assessed prior to inclusion
• But how does this assessment work in practice?
A standard drug selection process

• MOH appoints expert commission (membership? accountability for economic consequences of its decisions?)
• Industry submits application (and runs a lobbying campaign)
• Commission members review and debate
• Decision on inclusion, criteria for prescription, reimbursement level
• Criteria and process lack predictability and transparency
Alternative process for drug selection

- A specialized department in the MOH, drug agency or health insurance fund assesses applications for reimbursement
- Review of primary and secondary data, decisions of regulators and expert bodies in other countries
- Recommendation for inclusion, conditions, maximum reimbursement etc.
- Formal decision in a commission but usually follows the expert recommendation
- But still lack or transparency about criteria and process leading to a decision
How can decision making be improved?

• Full transparency, publication of detailed minutes on the web
• Clear criteria for inclusion, published
• Capacity building for pharmaco-economic assessment
• Algorithms and scoring systems for assessment of primary and/or secondary data
• Review of new inclusions after 1-3 years?
• Pooling/sharing of knowledge between countries to overcome capacity problems
A simple score to assess drugs

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Yes = 2</th>
<th>partially = 1</th>
<th>no = 0</th>
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<tbody>
<tr>
<td>Positive NICE opinion</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Positive opinion in Australia</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Positive opinion in New Zealand</td>
<td>☐</td>
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<tr>
<td>Positive opinion in British Columbia</td>
<td>☐</td>
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<tr>
<td>Positive opinion in Netherlands</td>
<td>☐</td>
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<tr>
<td>Directly life threatening or debilitating disease</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>No satisfactory treatment available yet</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>New product has disease-modifying action</td>
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<tr>
<td>New product has strong action on symptoms</td>
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<tr>
<td>Current treatment costs high</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>High indirect costs of disease</td>
<td>☐</td>
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<tr>
<td>High priority disease for public health</td>
<td>☐</td>
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<tr>
<td>Not more expensive than current treatment</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Infrastructure/knowledge for safe and effective use of product exist in Poland</td>
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<td>☐</td>
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<tr>
<td>Out-of-label use can be contained</td>
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Needs to be refined, tested and developed as a full scale instrument with detailed instructions for use
Priority list based on score

• Drug 1  Score 25
• Drug 2  Score 23
• Drug 4  Score 22
• Drug 5  Score 19
• Drug 6  Score 18
• Drug 7  Score 16
• …

- Decision on reimbursement based on budget situation, selection from top to bottom
Questions for discussion

• How (politically) feasible is full publication of commission minutes on the web?
• How can we tap into data from other countries’ HTA agencies or reimbursement authorities and make them usable for our country?
• How can we limit the risk of adopting new technologies?