EFFICIENCY AND TRANSPARENCY IN PRICING

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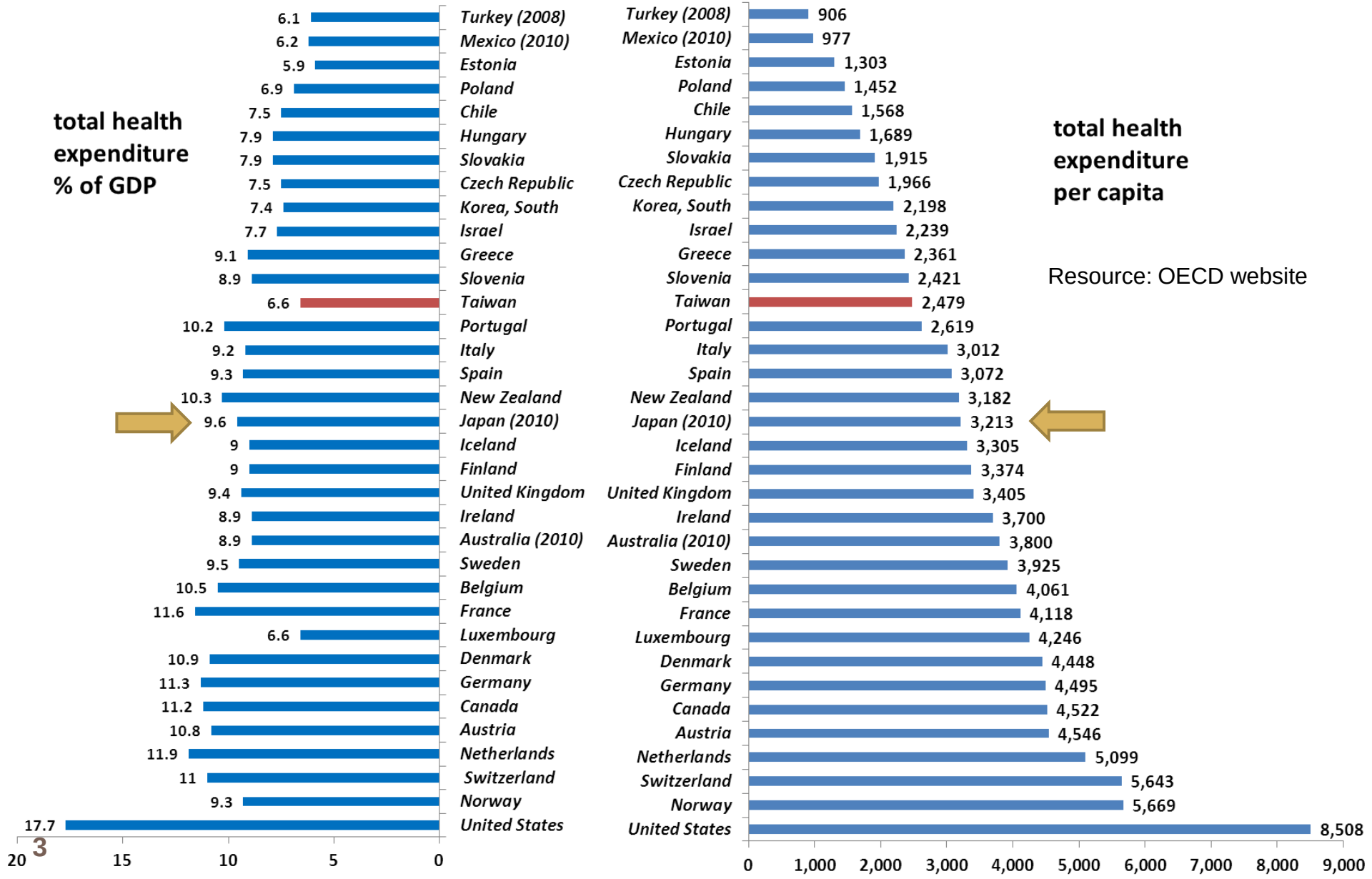
2014/10/31

Outline

- Drug Expenditures Statistics
- Drug Payment System
- Pharmaceutical Benefits and Reimbursement Schedule (PBRS)
- Drug Listing and Pricing Rules
- Challenge and conclusion

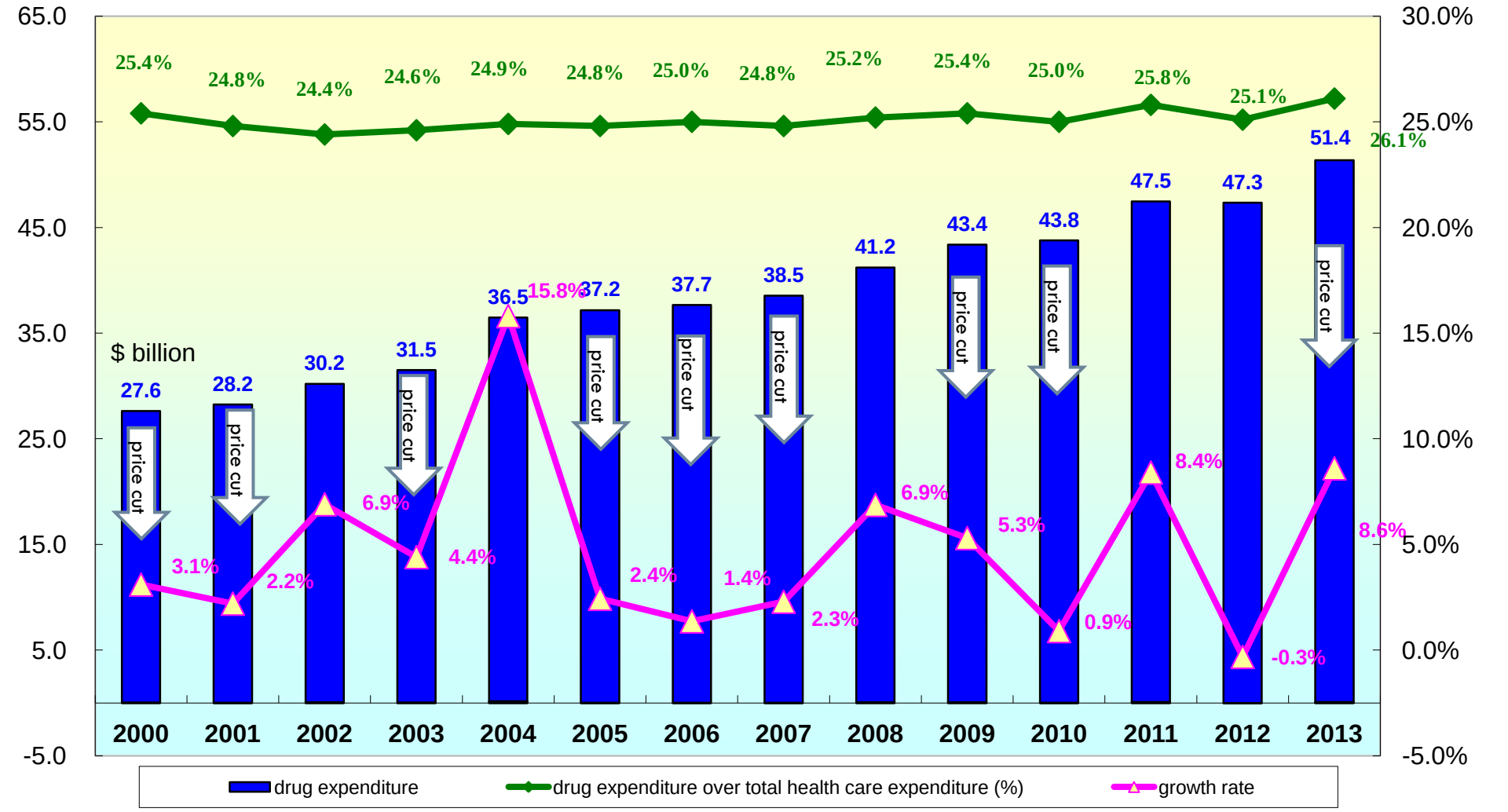
2011 Total Health Expenditure per Capita

(US$ purchasing power parity-adjusted)



Resource: OECD website

Trend of NHI Drug Expenditures



Analysis of the Drug Expenses (2012)

Classification	Subgroup	Drug expenditure ($ million)	Percentage
Catastrophic disease	**Antineoplastic agents**	78.3	16.5%
	Drugs used in blood disease	14.7	3.1%
	Drugs used in mental illness	12.7	2.7%
	others	39.3	8.3%
	subtotal	145.0	**30.7%**
Outpatient Chronic disease	**Antihypertensive drugs**	85.7	18.1%
	Drugs used in diabetes	29.0	6.1%
	Lipid modifying agents	8.3	1.8%
	others	104.0	21.9%
	subtotal	227.0	**48.0%**
Others	subtotal	101.0	21.4%
Total		473.3	100%

Drug Payment System

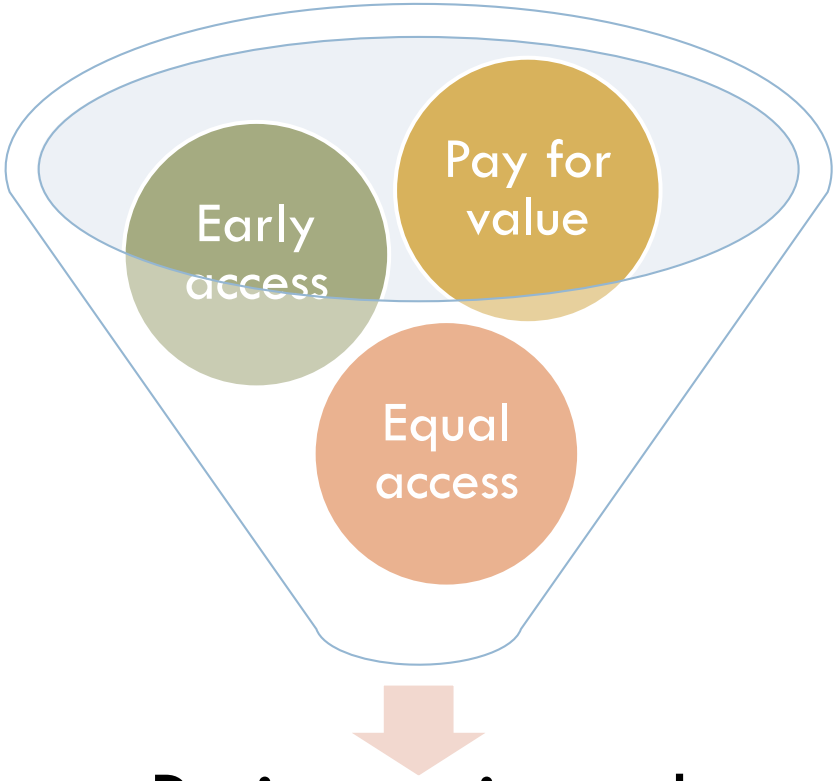
- Reimbursement for drugs is uniform nationwide and paid to the medical institution
- Fee-for-service
  - ✓ Reimbursement price per item* volumes prescribed
- Package payment
- Per diem
  - ✓ Chinese Medicines ($30 NTD per day)
  - ✓ Clinics and Pharmacies ($22 NTD per day, up to 3 days)

Outpatient Co-payment for Drugs

Drug fee	Co-payment (NTD)	Drug fee	Co-payment (NTD)
<=$100 NTD	0	$601~700	$120
$101~200	$20	$701~800	$140
$201~300	$40	$801~900	$160
$301~400	$60	$901~1000	$180
$401~500	$80	>=$1001	$200
$501~600	$100		

Exemption:
1. Refillable prescriptions for patients with chronic illnesses
2. Dental services
3. Case payment services

Principle of medication policy



2nd generation NHI

- Implemented in 2012
- More transparent and predictive
  - Pharmaceutical Benefits and Reimbursement Schedule (PBRS)
    - as the principle for drug listing and fee schedule
  - PBRS Joint Meeting
    - composed of stakeholders to ensure decision making for drug listing and reimbursement

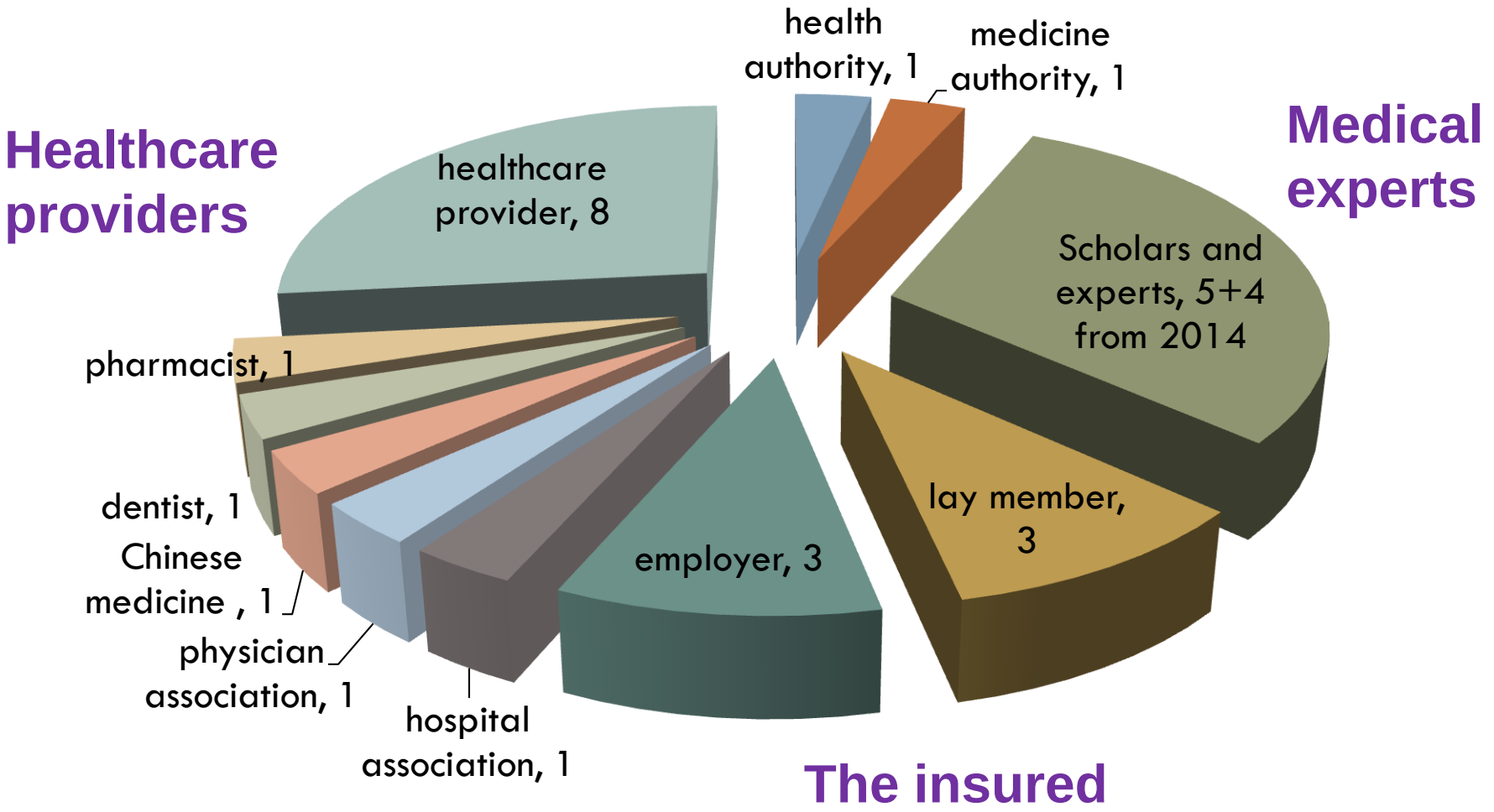
Difference between 1st & 2nd generation NHI

	Decision making	
	1st generation NHI	2nd generation NHI
New drugs	Expert committee	PBRS Joint Meeting (stakeholder committee)
New items (same ingredient/function with existent drugs/medical devices)	Price decided by the insurer	Price suggested by the insurer then decided by PBRS Joint meeting
HTA	Starting from 2007 by CDE	The NIHTA is established in 2013

Mission of PBRS Joint Meeting

- Make rules of drug listing
- Make principles of PBRS
- Decide to list & reimburse new drugs & medical devices
- Decide to list & reimburse new items with same ingredients or function of existing drugs or medical devices
- Review extension or change of existing PBRS items
- Other issue related to PBRS

Members of PBRS Joint Meeting



How to be a member?

Health and medicine authority	• assigned by competent authorities
Scholars and experts	• designated by insurer
The Insured (employer and lay member)	• recommended by related association then designated by insurer
Healthcare provider	• assigned by related association
Pharmaceutical industry	• 3 representatives may assigned by related association to seat in the PBRS Joint Meeting (although they have no right to vote for cases)

Transparency of decision making (1)

- Drug companies' representatives are allowed to make presentations at the Expert Advisory Meeting. Results of the initial review will be sent to the drug companies as well.
- PBRS Joint Meeting is composed of stakeholders and with three representing pharmaceutical industries sitting in.
- The agenda of the PBRS Joint Meeting and HTA report is made public 7 days before it meets.

Transparency of decision making (2)

- After meeting, the minutes, sound records, and interest disclosure declarations will be post on the NHIA website.
- If the suppliers did not agree with the preliminary price concluded by PBRS joint meeting, they can appeal for appraisal to give presentations at PRBS Joint Meeting before listing.

Listing and Pricing Rules

Around 16,700 items get listed by 2014

Factors of listing

- Safety
- Efficacy

} TFDA

- Relative effectiveness
- Budget impact analysis
- CBA/CEA/PE
- Ethical/Legal/Social/Political Impact

} NHIA

Pricing for brand drugs

<table>
<tr><th colspan="2">Category</th><th>Pricing</th><th>Mark-ups</th></tr>
<tr><td>1</td><td>Breakthrough</td><td>Median price of A-10 countries</td><td rowspan="3">• local clinical trials (10%)
• local pharmaco-economic study (up to 10%)
• better therapeutic effects (up to 15%)
• greater safety (up to 15%)
• more convenient (up to 15%)
• pediatric preparations with clinical implications (up to 15%)</td></tr>
<tr><td>2A</td><td>Me-better</td><td rowspan="2">Capped at A-10 median price
• lowest price in A10
• price in original country
• international price ratio
• treatment-course dosage ratio
• a combination drug is priced at 70% of the sum of each ingredient's price, or at the price of the single active ingredient.</td></tr>
<tr><td>2B</td><td>Me-too</td></tr>
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A-10 reference countries

Country	Source of Reference	Pricing Structure
US	Red Book (not official publication)	Wholesale price
Japan	Drug price baselines (official website)	Ex-factory price + wholesale premium + drugstore premium + value-added tax
UK	NHS Prescription Service (official website)	Ex-factory price + wholesale premium
Canada	Saskatchewan Formulary (official website)	Wholesale price
Germany	ROTE LISTE (official website)	Ex-factory price + wholesale premium + drugstore premium + value-added tax
France	Base des Médicaments et Informations Tarifaires (official website)	Ex-factory price + wholesale premium + drugstore premium + value-added tax
Belgium	Centre Belge d'Information Pharmacothérapeutique (official website)	Ex-factory price + wholesale premium + drugstore premium + value-added tax
Sweden	Farmaceutiska specialiteter i Sverige (official website)	Wholesale price + drugstore premium
Switzerland	Arzneimittel kompendium der schweiz (official website)	Ex-factory price +logistics premium (shared by wholesalers and drugstores) + value-added tax
Australia	Pharmaceutical Benefits Scheme (official website)	Ex-factory price + wholesale premium + drugstore premium + dispensing fees

Pricing for generics

- For the 1st generic

  * BA/BE generic —90% of the price of originator

  * General generic —80% of the price of originator

- The 2nd forward generics are priced at the lowest price of the same category of generics.
- Add incentives to drugs comply with PIC/S GMP and other quality conditions

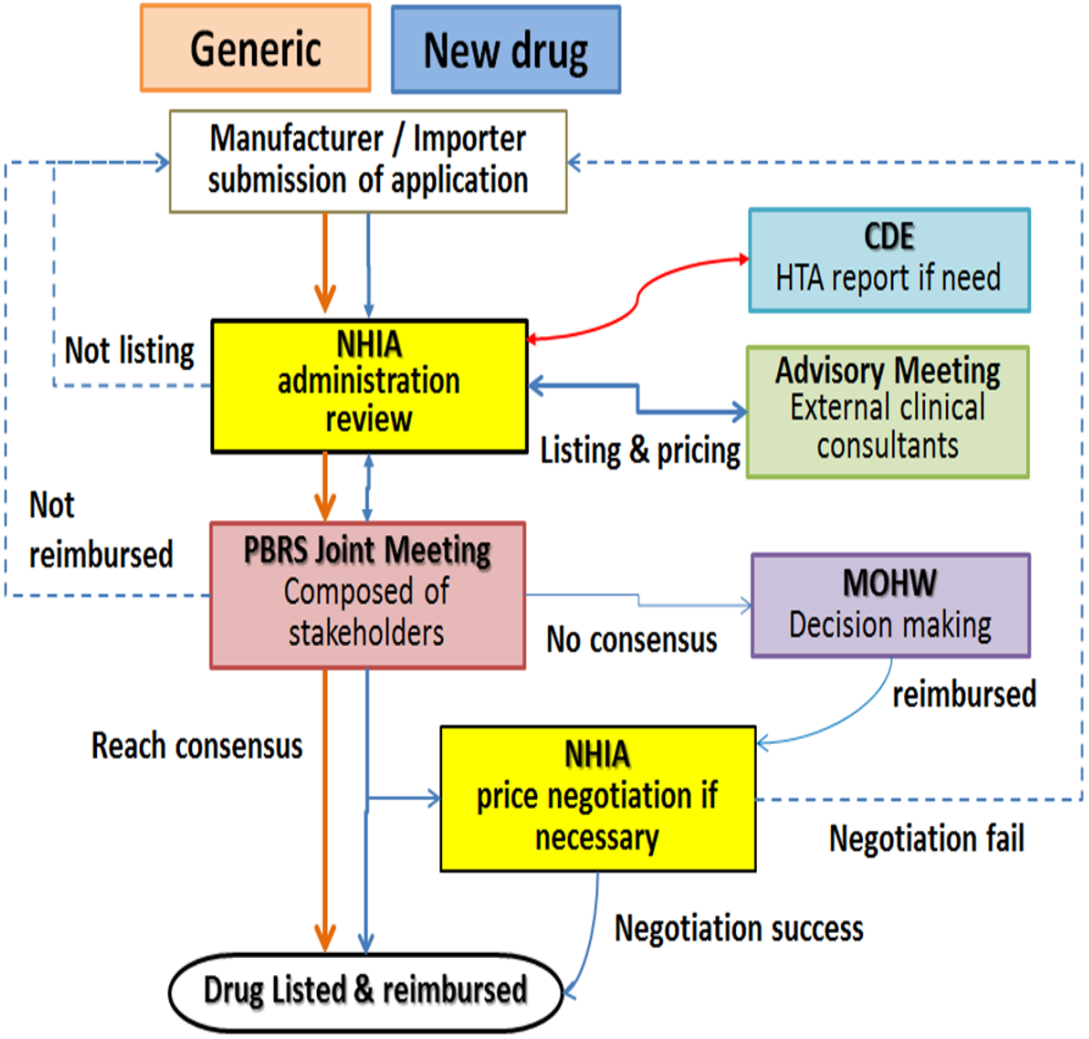
Pharmaceutical listing & pricing flowchart

Timeline

All submission before 15th in even month will be reported at next PBRS meeting

PBRS meeting held at the 3rd Thursday every 2 months and announced agenda 7 days before meeting

Drug listing finalized by day15th next month after meeting and activated at 1st day after the next month



Timeline

HTA provided in 42 days after submission

Advisory meeting held at the 1st Thursday every month

PBRS meeting held at the 3rd Thursday every 2 months and announced agenda 7 days before meeting

Drug listing finalized in 2wks after PBRS meeting

Difference of reviewing results

1st NHI

2012

Expert committee (items)

Agree	Disagree	Total
66 (85.7%)	11 (14.3%)	77 (100%)

2nd NHI

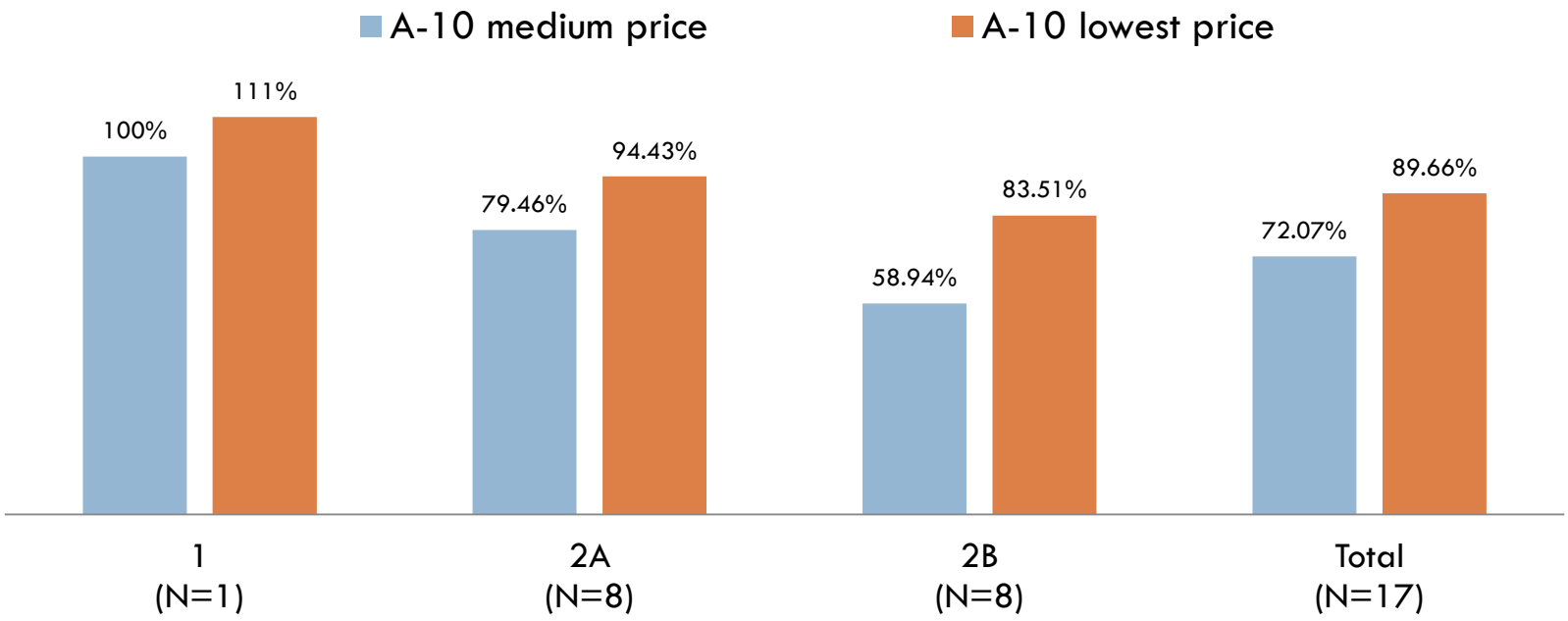
2013

PBRS Joint meeting	Expert committee (items)		
	Agree	Disagree	Total
Agree	41	0	41 (71.9%)
Disagree	4	12	16 (28.1%)
Total	45 (78.9%)	12 (21.1%)	57 (100%)

2014 (Jan.~Aug.)

PBRS Joint meeting	Expert committee (items)		
	Agree	Disagree	Total
Agree	57	0	57 (86.4%)
Disagree	4	5	9 (13.6%)
Total	61 (92.5%)	5 (7.5%)	66 (100%)

Price of new drugs compared with A-10 reference countries



- New drugs listed during 2013/1/1~2014/06/01, not including domestic and those new drugs at self-cut price

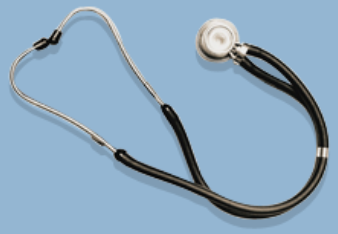
Challenges

- Process control of PBRS Joint Meeting
- Reallocation of global budget and budget impact concern from healthcare providers
- Unbalance of medical information between representatives of the insured and healthcare provider

Conclusions

- Multiple participation
  - Involve more stakeholders to join PBRS Joint Meeting
- Increase transparency
  - Announced agenda and HTA report before PBRS Joint Meeting
- Introduce budget impact analysis
  - Through implementing HTA to determine budget impact for reasonable reallocating resources

衛生福利部
中央健康保險署



THANK YOU