

# Rational Pricing and Cost-effectiveness

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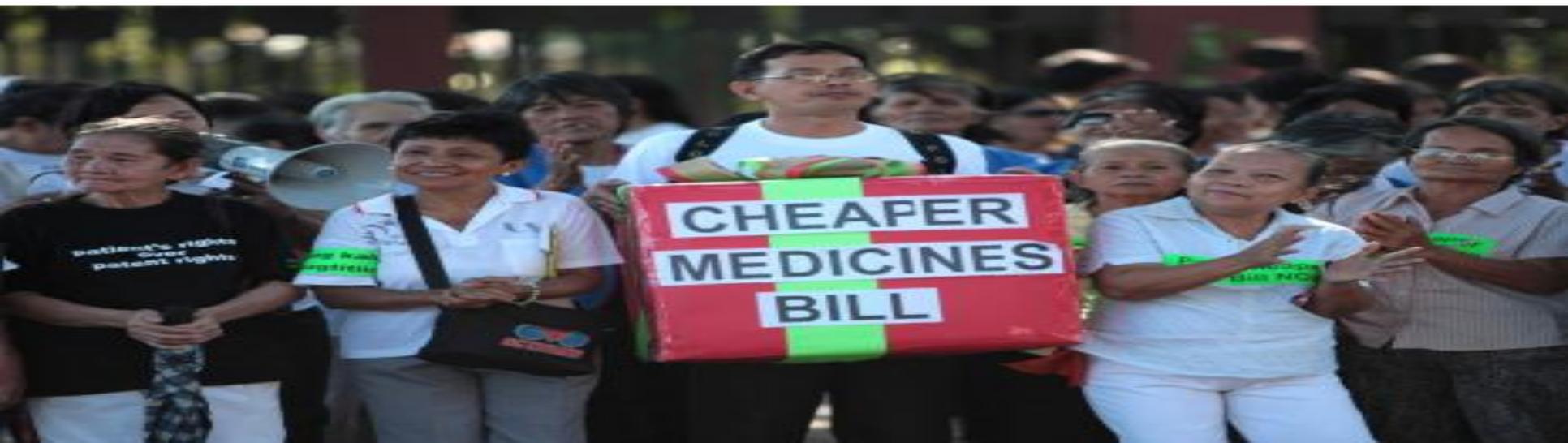
# Pricing of pharmaceuticals in the Philippines

- \* Freedom of pricing for both generic and innovator drugs based on what consumers are “willing to pay”
- \* Non-transparent and varied application of mark-ups
- \* Price to patient does not necessarily reflect cost of production or proof of additional clinical advantage over existing products (*i.e. nature and size of the therapeutic benefit*)
- \* Consumers and purchasing authorities are uninformed on fair prices of drugs



# The Universally Accessible and Cheaper Quality Medicines Act

- \* Enacted in 2008 and gave the government instruments to ensure the affordability of drugs to patients and consumers
- \* Power to set *maximum retail prices* of drugs sold in the Philippines as a consumer protection pillar
- \* Power to invoke TRIPS flexibilities particularly for public health emergencies and other situations as deemed necessary by the Secretary of Health



# Cheaper Medicines Act: The promise and the reality

- \* **Mandatory price cuts were imposed on 5 molecules (MDRP) – 50% of the prevailing market price**
- \* **A voluntary drug price reduction scheme was operated between the Government and several suppliers for 64 other drug molecules ranging from 30-70% price reduction but these were brand-specific (GMAP)**
  - *some with generic counterparts already*
  - *no price reduction for other existing brands*
- \* **Base price was prevailing price of branded products and not the more efficient generic prices**

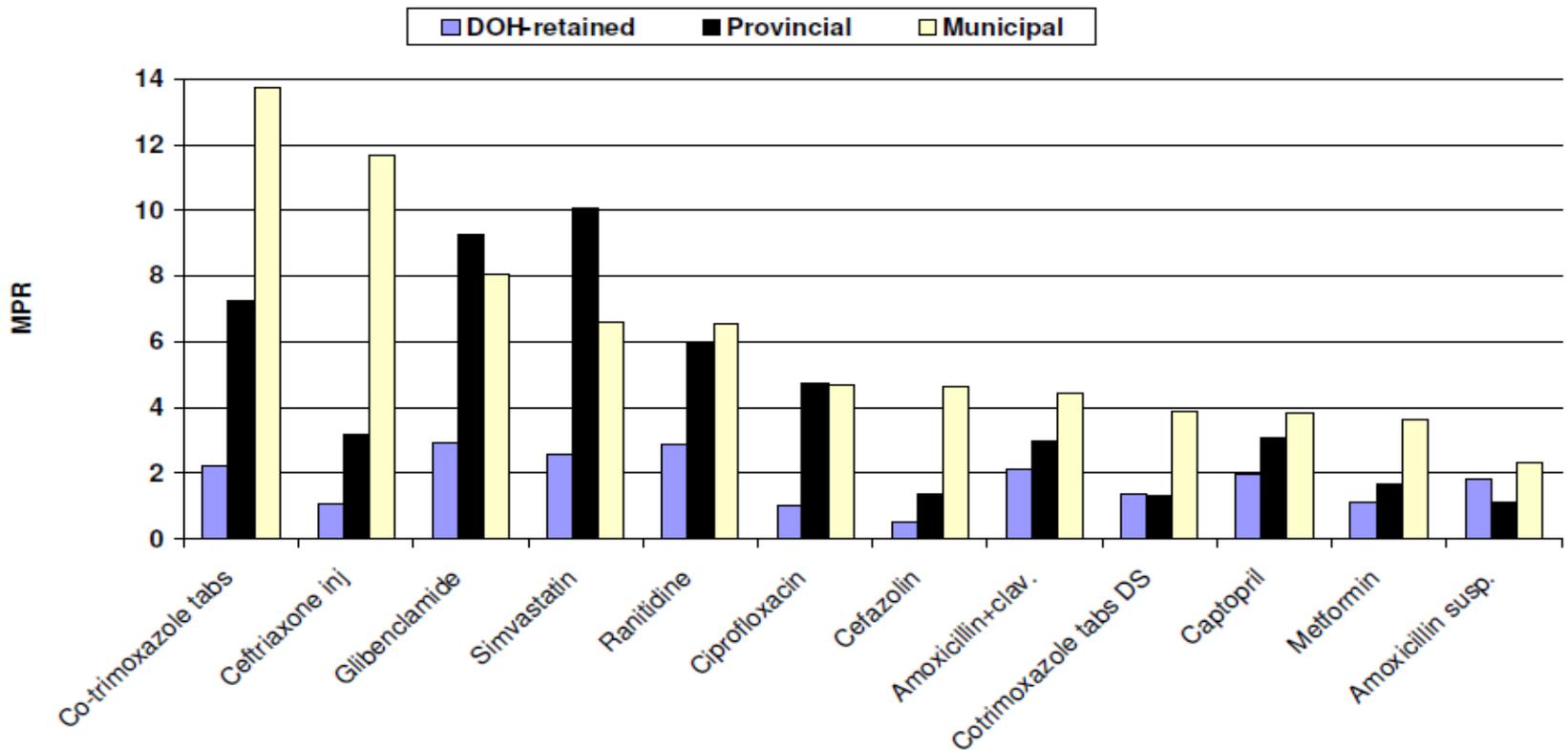
# Still widely varying prices of medicines at retail

## BASIC MEDICINES

PRODUCT	UNIT	GENERIKA	GENERICS PHARMACY	WATSON'S	MERCURY	CURRENT PRICE (July 19, 2013)
<b>CARDIOVASCULAR MEDICINES</b>						
Amlodipine (tablet)	peso/ 10 mg	3.25 - 19.65	3.25 - 8.00	7.25-38.50	5.00-38.50	3.25-38.50
Losartan (tablet)	peso/ 50 mg	4.75 - 19.50	5.00 - 8.75	11.00-24.00	10.75-24.50	4.75-24.50
Metoprolol (tablet)	peso/ 50 mg	1.75-3.10	1.75 - 2.50	2.42-15.00	2.75-18.75	1.75-18.75
Telmisartan (tablet)	peso/ 40 mg	25.00-25.75	N/A	25.75	25.00	25.00-25.75
Warfarin Na (tablet)	peso/ 1 mg	14.75-18.00	N/A	21.75	14.75-21.75	14.75-21.75
Aspirin (tablet)	peso/ 100 mg	1.25-1.75	1.80	2.50-2.75	1.90-4.50	1.25-4.50

# Highly inefficient public sector procurement

Comparison of procurement prices (as MPRs) for generic medicines from DOH-retained, provincial and municipal hospitals.



# How must drug pricing change to achieve universal health care?

- \* The current system of free-pricing of medicines without adequate controls on what is paid for by Government is not affordable nor sustainable in the context of a publicly and collectively funded SHI system
- \* Drug pricing must be grounded on the reality of existing budget constraints and the opportunity costs of investing in new technologies/drugs
  - *what priorities are foregone by investing in a new expensive drug?*
- \* A system to negotiate and set drug prices is necessary to take full advantage of DOH / Philhealth buying power and make drug coverage truly comprehensive and universal

# Rationalizing essential drug prices: The Drug Price Reference Index

- ◆ By 2014, a *Philippine Drug Price Reference Index (DPRI)* is set to be implemented making it mandatory for all government procuring agencies to adhere to a price ceiling (acquisition cost) when procuring drugs listed in the national formulary
- ◆ *Rationale:* The government must generate efficiency gains by first reducing the current wide variations in procurement prices of essential drugs. This will accommodate new investments to expand health care in general and fund other health goods/services.

# Rationalizing essential drug prices: The Drug Price Reference Index



Home

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Reference

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Specific Year

2011

Searches will use data from the specified year unless specified otherwise

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Search Results By Name

Search Year : 2011 | Results found : 2

For more information click on the name of the drug

	Generic Name	Strength	Dosage Form	Route of Admin	Pharmacological Class
<input type="checkbox"/>	Amlodopine	10 mg	Tab-cap	Po	(12.1.) Antianginal medicines *
<input type="checkbox"/>	Amlodopine	10 mg	Tab-cap	Po	(12.1.) Antianginal medicines *

[Back](#) | [Home](#)

- ◆ The DPRI shall serve as a guide on fair acquisition prices of essential drugs from legitimate suppliers across the government (GMP certified) to help purchasers set reasonable ABCs
- ◆ May guide PHIC later on in setting reimbursement caps for medicines
  - cost-plus pricing to determine and set allowable mark-ups (i.e. Pharmacy administration fee, dispensing fee, storage/distribution, etc)

# Factors in setting the DPRI

- \* Acquisition prices of essential drugs in DOH and DOH-retained hospitals
- \* Legitimacy and capacity to supply of GMP suppliers
- \* IRP and Prices of medicines in comparator countries (i.e. Thailand, Malaysia, India)
- \* Prices of medicines within or across therapeutic classes for drugs known to have similar therapeutic benefits

# Drug Pricing and the Philippine National Formulary

- \* **Until now there is no formal relationship between formulary listing and drug pricing in a way that reflects the real clinical value of medicines to Filipino patients and the broader health system**
- \* **This gap also leads to the listing of drugs in the formulary without necessarily assuring that the DOH, Philhealth and local governments will pay for them**
  - no guarantee that patients eligible to benefit from a drug will get them (unfairness and variations in access)
  - no predictability of resource implications to DOH/Philhealth and LGUs
  - no certainty of revenues to the industry thus undermining incentives for innovation

# The Medicines Price Board

- \* By 2014, a **Medicines Price Board** will be created within the PNFS with the remit of setting and negotiating for fair and transparent prices of all drugs in the formulary
- \* For new drugs, the Price Board will assess the prices at which they represent good value for DOH/Philhealth resources and therefore guide the FEC on the adoption drugs for wide or restricted use in all public health facilities
  - price will be linked to the expected volume of use
- \* The MPB shall recognize innovation but align the price premium given to new drugs according to the incremental therapeutic improvement over existing products and how they meet broader Philippine health system objectives

# How shall we value new drugs?

The ICER: Php 170,000 per QALY  
1 X GDP per capita  
Is the incremental benefit worth the additional cost?

New drug

Standard tx / best  
alternative

VS

## Price premium:

*LoL and QoL*  
*Better safety profile*  
*Unmet medical need*  
*Reducing inequalities*  
*Savings to the government*

## Secondary factors:

*Patient convenience, caregiver convenience,  
ease of compliance, reduced duration of tx*

## Cost-effectiveness is about making tough choices

*The additional health gain from the adoption of a new drug / technology should be greater than the health potentially displaced.*

# Medicines and UHC: Not about funding everything that is clinically effective

*If the goal of ‘UNIVERSAL HEALTH CARE’ is to be met, the government (DOH/PHIC) must ensure access to health services in the fairest way possible (‘fairness’), ensuring good use of resources (‘efficiency’) FOR THE COUNTRY AS A WHOLE (‘equity’) NOW AND INTO THE FUTURE (‘sustainability’).*

# Conclusion

- \* A new regime for pricing and purchasing pharmaceuticals is needed for UHC with a focus on the value of medicines to the Philippine health system and society as a whole. The goal is to maximize overall health outcomes.
- \* Reference pricing and pharmacoeconomic analysis will play a major part in determining the level of subsidy of DOH and Philhealth for all essential drugs.
- \* The aim of the drug pricing policy is to increase the reach and the value of healthcare overall and generate savings that can become additional investments for more drugs, health services, goods and technologies.
- \* It is important that pricing reforms run parallel to efforts to change the sourcing /procurement mechanisms of drugs in the public sector
  - \* – more transparent, harmonized, efficient, free of corruption and whole-of-government



**Thank You**