

Medicines pricing in a global market

The Administrative Pharmacy Section organised a session on international diversity in drug pricing policies. Steven Kayne reports

With medicines price differences between countries decreasing, could parallel trade have a limited life, asked Tony Björk, executive director of corporate communications, Apoteket AB, Sweden.

The way in which the price of medicines is set can impact on a range of stakeholders including manufacturers, wholesalers, pharmacies, funding bodies and consumers, he said. Consumers are most concerned about accessing medicines as cheaply as possible, leaving third party payers with a dilemma. Payers such as governments and insurers will generally reimburse the costs of prescription medicines but often the patient may be expected to contribute financially through a co-payment. Evidence suggests that patients' use of both effective and non-effective medicines may reduce as the level of co-payment rises but there is also evidence to suggest that providing medicines free of charge may lead to overuse and waste. A balance needs to be reached, said Mr Björk.

From a societal perspective, pricing policies must ensure patient access to the most cost-effective therapies available and providers of health care, such as governments, must be prepared to negotiate reasonable terms with the pharmaceutical industry to achieve this.

So what should the medicine price reflect? Mr Björk believed that, in theory, medicines prices should reflect manufacturers' costs, ensuring adequate provision for research and development costs and costs linked to evaluating the safety and effectiveness of medicines. Prices should reflect wholesalers' costs, for example, in storing and distributing medicines. They

should also reflect the costs incurred by pharmacies, for example, relating to dispensing and providing advice to patients. In some countries there are also additional imposed costs, such as taxes, that must be considered.

In practice, however, costs are often set through market dynamics. There are a number of factors that may influence a manufacturer's pricing policy in a particular country, for example, affordability and the local cost of living. Also, in many countries there is now increasing pressure on manufacturers to prove the value of their medicines to society. For example, manufacturers may be asked to provide evidence of the quality, safety and cost-effectiveness of their products before they are accepted for reimbursement by third party payers. There is an emerging consensus that pharmaceutical pricing regulation is incomplete if no account is taken of the cost of competing drugs.

On whether medicines pricing is a national issue, Mr Björk said "yes and no". It is if consideration is given to affordability in each country but, in recent years, evidence has shown that the differences in medicines prices between European countries is declining, with the industry increasingly consider-



Tony Björk: future of parallel trade could be limited

ing Europe as one market. If this trend continues, the future of parallel trade could be limited.

The European Commission has recently established a working group on pricing policy which reports to the annual EU Pharmaceutical Forum. The aim of the working group is to share experiences with different pricing and reimbursement mechanisms and cost-containment strategies and consider the impact of cross national mechanisms such as parallel trade and reference pricing. Participants in this work include ministers from EU member states, representatives from the European

Parliament and representatives from key stakeholder organisations. The Pharmaceutical Group of the European Union represents the interests of community pharmacies. Issues currently being discussed by the working group relate to finance and affordability, for example, (i) limiting reimbursement for certain products, (ii) availability, including the timing of market access and availability in small markets, (iii) transparency of data such as manufacturers' prices and trade, and (iv) distribution issues, such as internet sales and counterfeiting.

Questioning what the future holds for pricing, Mr Björk said that there is a need to move to pharmacies being paid directly by third party payers for services provided and not solely through purchase margins. He noted and welcomed the move towards this approach in the UK and Sweden.

Comparing health care and drug policies in different countries of the world

At conferences and in the press, suggestions are frequently made about health care and drug policies in place in different countries but it can be difficult to assess the validity of this information and, in the event that any details are publicly available, it may not be up to date, said Jean-Pierre Grégoire, professor of pharmacy and pharmacoepidemiology at Laval University, Canada. He described work being undertaken by his university to develop an international repository of pharmaceutical policies.

It is intended that the repository will provide qualitative summaries of policies linked to approving the use of medicines, regulating prices, approving medicines for inclusion in public reimbursement and optimising the use of medicines. The developers of the online database intend that all information will be available free of charge. Information on the handful of countries surveyed to date can be found online at www.pharmapolicies.net.

A similar initiative — an international survey of drug policy and health care — is currently being conducted by the FIP Administrative Pharmacy Section. The co-ordinator of the project, João Carapinha, of South Africa, provided an overview of the project's status. The survey, which is being supported by the World Health Organization, aims to provide an overview of the health care systems of countries through the use of 69 indicators.

To date, information has been collected on 23 countries, with information ranging from statistics on the size, value and organisation of a country's



João Carapinha: policy information being collected

pharmacy market, background information on the health of the population, for example, life expectancy and mortality statistics, and statistics linked to the private and public financing of health care. Qualitative information is also being collected to support the comparison of policies linked to pharmacy regulation, pharmacy education, medicine advertising and drug reimbursement.

Initial results show differences in the organisation, structure and delivery of health care and pharmacy services around the world. Most responses that have been received were from high human development index countries with FIP currently targeting countries in

Latin America, Africa and parts of South East Asia to ensure the results of the survey, when complete, can provide a balanced view of health care and drug policies around the world.