




Study on Pharmaceutical Financing and Reimbursement in Turkey – Component II

**Panos Kanavos, Ismail Ustel and Joan
Costa-Font**

Ankara, 23 September 2005

Acknowledgements

- SUVAK
 - Policy-makers
 - Other stakeholders
 - Reviewing team
- 

How did we arrive at the material presented: Data and methods

➤ Primary sources

- Meetings and interviews in Ankara with decision-makers as well as experts on drug policy.
- Meetings and interviews with other experts on regulatory issues and intellectual property rights issues also contributed to this effort.

➤ Secondary sources

- Literature review on drug policies in OECD selected countries (databases, public documents, proprietary information from selected national governments)
- Existing studies on informal payments (Pr Dr Tatar)
- Government (draft) legislation
- IMS data
- Other publicly available sources and reports

Benchmarking: What are the policy goals?

- Macroeconomic expenditure control and providing value for money
- Micro economic efficiency
- Quality
- Equity in access; universality
 - Significant social inequalities may exist in the take-up of proven technologies (e.g. anti-hypertension treatment) offers a challenge for government. Such technologies (e.g. beta blockers) may be cheap and out of patent but give high levels of population benefit at low cost to the taxpayer.

What will you see in the study: The issues

- Supply-side
 - Regulatory environment (MA and IPRP)
 - Pricing policy
 - Reimbursement policy
 - Industrial policy
- Proxy demand-side
 - Physicians
 - Pharmacists
- Demand-side
 - Patients: cost-sharing, OTCs, patient information, public health

Approaches to drug regulation: EU/Canada

Measure	In-patent drugs	Off-patent drugs
Free Pricing	Germany, France(?), Malta, Cyprus, UK	
Direct price controls	Austria, Finland, France, Greece, Ireland, Italy, Spain, Netherlands, Portugal, Baltics, Sweden, Poland, Czech, Hungary, Slovakia, Slovenia	Austria, Finland, Greece, Ireland, Netherlands, Sweden
International price comparisons	Austria, Belgium, Denmark, Finland, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, Baltics, Poland, Czech, Hungary, Slovakia, Slovenia, Canada	Austria, Belgium, Denmark, Finland, Greece, Ireland, Netherlands, Portugal, Spain, Sweden
Profit control	UK	
Reference pricing	Netherlands, Hungary, Germany	Belgium, Denmark, France, Germany, Italy, Portugal, Spain, UK

Cost effectiveness pricing: EU/Switzerland, 2004

Current practice

- Denmark
- Switzerland
- Sweden
- Finland
- The Netherlands
- England & Wales [NICE]
- Portugal
- Norway
- Baltic states (Estonia, Latvia, Lithuania)
- Italy

Under preparation or rising in influence

- France
- Greece
- Poland
- Hungary
- Slovenia
- Czech Republic
- Slovakia

Pricing criteria for originator products in selected OECD countries and Turkey

Feature	UK	GER	FRA	ITA	SPA	DEN	POL	NET	TUR
Medical value			✓			✓		✓	
Comparator prices			✓					✓	
Cross country comparisons			✓	✓	✓		✓	✓	✓
Sales volumes			✓						
Conditions of use	✓	✓	✓	✓	✓	✓	✓	✓	
Price freedom	✓	✓	✓			✓			

- Pricing process usually kept separate from reimbursement process
- Multiple criteria often apply to set prices
- Administrative simplicity of price setting may be outweighed by pricing policy in other parts of the market
- Evidence-based pricing over the medium-term

Pricing/reimbursement criteria for generics

Feature	UK	GER	FRA	ITA	SPA	DEN	POL	NET	TUR
Reference pricing		✓	✓	✓	✓		✓	✓	✓
Upper ceiling for generic price	✓		✓	✓	✓				✓
Cross country comparisons			✓	✓	✓	✓	✓	✓	✓
Price freedom	✓	✓	✓						

- Prices of generics are often controlled in various ways
- High price countries have strong generic policies in order to produce savings and allow “headroom for innovation”
- In Turkey generic prices are capped (-20% of originator) and a reference pricing system applies in principle for reimbursement (lowest + 30% principle)
- Doubtful that generic pricing policy leads to cost savings in Turkey

Reimbursement policy

Reimbursement policy must

- (a) be characterized by transparency,
- (b) allow flexibility to ensure that new treatments and effective and are made available to patients within a reasonable amount of time, and
- (c) robustness in evaluating clinical benefit and assessing the economic impact of treatment
- (d) have common principles across all payers, and, ideally, be a single policy across the range of payers

Criteria for admitting products into the positive list

- The seriousness of the condition and whether there are existing treatments
 - Providing significant additional therapeutic benefit
 - Providing established therapeutic benefit
 - Providing greater effectiveness than placebo
 - Having modest or marginal efficacy
 - Of uncertain effectiveness and not established according to current standards.
- In terms of disease evaluation, the following criteria are suggested
 - Serious diseases
 - Non-serious diseases
 - Those involving deterioration of physical performance
- Disease frequency
- Exclude most OTCs from reimbursement

Criteria for pharmaceutical reimbursement

Criteria	UK	GER	FRA	SPA	NET	POL	ITA	CAN	TUR
Clinical	✓	✓	✓	✓	✓	✓	✓	✓	✓
Budgetary	✓	✓	✓	✓	✓	✓	✓	✓	✓
CEA	✓	✓ ¹	✓ ²		✓		✓	✓	
Industrial policy	✓	✓	✓	✓				✓	
Defining who benefits most	✓	✓	✓	✓	✓	✓	✓	✓	✓?
Volume	✓	✓	✓	✓	✓	✓	✓	✓	
Foreign prices	✓	✓	✓	✓	✓	✓	✓	✓	
OTC exclusion	✓	✓	✓	✓	✓		✓	✓	
Tender	✓ ¹	✓ ¹	✓ ¹	✓ ¹	✓ ¹	✓ ¹	✓ ¹	✓ ¹	✓

- Evidence-based reimbursement
- Negotiation on the basis of multiple criteria
- Policies differ depending on national priorities
- Increased coverage, epidemiological patterns and current lifestyles in Turkey may place strain on available resources and as a result reimbursement policy needs to be streamlined using EBM principles and economic criteria over the medium term

Problems and caveats - Reimbursement

- Although up until recently there was no unified reimbursement system, the government is gradually implementing such a principle.
- The downside to this development is the cost, which, according to some estimates may be as low as \$800 million (conservative estimate) and as high as \$2.5 billion.
- It is unknown what principles guide the admission of (new) products into the reimbursement list, how robustly these are followed, and what experts are involved in reimbursement
- There may be waste of scarce resources through extensive OTC reimbursement
- Little being done on rational drug use, on monitoring physician prescribing, audit, or drug utilisation review.

Proxy-demand: Physicians

- (a) Influencing prescribing behaviour
 - Prescription monitoring & evaluation,
 - Cost-effective prescribing,
 - Physician education, training, information
- (b) Promoting rational drug use
 - Role of evidence-based prescribing
 - Reporting ADRs
 - Information systems
- (c) Assisting in the establishment and dissemination of clinical guidelines and best evidence
 - Start with the most expensive health problems in Turkey
- (d) Potentially providing incentives to prescribing physicians either through their method of payment or through budgetary means (long-term).

Policies on the proxy-demand: Physicians

Criteria	UK	GER	FRA	ITA	SPA	DEN	POL	NET	TUR
Monitoring Rx	✓	✓	✓	✓	✓	✓		✓	✓
Audit Rx	✓	✓	✓	✓		✓		✓	
CE Rx	✓		✓	✓	✓	✓	✓	✓	
EBM Rx	✓	✓	✓	✓	✓	✓	Y	✓	Y
Budgets	✓	✓	✓					✓	
Financial incentives	✓	✓	✓						

- Gradual focus of drug policy on physician Rx
- This is achieved through a multiplicity of policies which are in many cases followed and observed
- Policy enforcement is more important than policy adoption
- Role of IT and organisations monitoring Rx is key
- Policies frequently involve incentives or disincentives
- Few effective controls over physician Rx practices in Turkey; no evidence of a rational incentive or disincentive structure (but evidence of supplier-inducement), which may imply less than rational prescribing

Problems and caveats III – Proxy demand

- There is a Multi-tier system with physicians contracted, but also practicing privately
- Enforcement of available clinical guidelines by clinicians remains non-existent.
- Physicians and other health care professionals working in hospitals and primary care centers are considered to be civil servants and their productivity is thought to be low.
- At the other end of the spectrum, an increase in “productivity” is thought to occur through physicians’ supplementary payments (Physician authorising behaviour in hospitals is explicitly linked with the size of the hospital revolving fund, from which physicians draw a significant proportion of their salary)

Other issues related to the Proxy demand

- In terms of human resources, there are urgent needs in more practicing physicians in the country on the basis of (i) increasing patterns of utilisation; (ii) increases in population; (iii) small number of general practitioners; and (d) physicians who retire.
- There are great challenges in terms of management team training in hospitals to run the reforms; there are currently very few, if any, hospital managers and most hospitals are run by lead physicians.


Proxy-demand: Pharmacists

- Remuneration policy (regressive margins, following the international trend)
 - Discounts
 - Pharmacy ownership
 - Pharmacy regulation
 - Role of pharmacist
- 

Problems and caveats for pharmacy

- There is near complete absence of any regulation regarding pharmacy location, geographical distribution and the total number of pharmacies in the country, requiring action by decision-makers.
- Pharmacists are paid on a regressive margin basis from health insurance funds, but they also receive (unknown but thought to be generous) discounts from manufacturers. Reimbursement authorities are not aware of the extent of such discounts, but they are thought to be significant. An evaluation of pharmacy income as well as target income for the official dispensing (Rx) business has never taken place.
- The “muvazaa” practice and the frequent lack of skills among dispensers undervalues the contribution of the pharmacy profession.

Policies to influence patient demand

- Role of cost-sharing
 - Role of OTC products
- 

Patient co-payments in EU countries

Country	Type of co-payment
Austria	Flat fee per item and an additional flat fee for each treatment
Belgium	Percentage up to a maximum of medicines' price for certain categories
Denmark	Fixed deductible plus co-insurance up to a limit
Finland	Flat fee per prescription plus 0%, 25%, 50% up to a limit per person per annum (FMk3166)
France	Percentage: 0%, 35%, 65% depending on type of condition
Germany	Co-insurance of 10%
Greece	Percentage: 0%, 10% 25%
Ireland	<ul style="list-style-type: none">• DRS: deductible (up to IR£360 per annum)• DCSS: contribution of IR£32 per month to the pharmacist• LTI: no prescription charge• Individuals claim tax relief if co-payment exceeds IR£50 per person or IR£100 per family
Italy	1 st item ITL3000; for larger amount of products, the total fee is ITL6000 50% co-payment for products in class B
Netherlands	No cost-sharing other than the patient paying the difference between the reference price and the price for the drug of choice if the latter is not the reference drug
Portugal	Percentage: 0%, 30%, 60%
Spain	Percentage: 0%, 10% (up to a maximum of Euro2.15 per item) and 40%; (different co-payments apply for civil servants who opt-out of Insalud)
Sweden	Fixed deductible of SEK1800 and co-insurance in addition to that up to a limit
UK	Flat rate at UK£6.40 per item

Key messages for Turkey:

- **Extensive exemptions**
- **Co-payments not a tool for significant revenue-raising capacity**
- **Differential co-payments reflecting disease severity and age/income**
- **Increasing trend towards differential co-payments for branded/generic**

OTCs in selected countries; implications for Turkey

Country	1988	1990	1995	2000	2002
Germany	36	36	35	34	33
France	35	35	37	34	33
UK	22	22	20	19	18
Italy	11	10	10	10	9
Spain	13	13	14	13	16
Belgium	29	30	30	29	25
Netherlands	9	11	11	12	11
Portugal	na	na	na	5	4.5

- Definition of “OTC” not universal; can also include drugs that should be acquired by a prescription only, but are often acquired without prescription
- In principle, OTC products are not reimbursed, with a few exceptions (which are included in positive list and are reimbursed only if prescribed)
- OTC switch empowers patients and saves health insurance money; but, it requires sound pharmacy policy
- 70% of all OTC medicines in Turkey belong to 9 ATC classes (C&C, analgesics, ginkgos, anti-histamines, vitamins and mineral supplements, topical anti-rheumatics, nasal decongestants; these products are reimbursed. The rationality of policy on OTC reimbursement needs to be re-examined

Final note

- Enforcement of legislation at micro level is paramount for success of reforms; this will avoid the continuation of old and persisting problems on the demand-side but also the supply-side. These phenomena relate to prescribing, dispensing, as well as the existence of informal payments. A key task for the present government will be to enforce legislation, if reforms are to succeed, despite the political cost it may imply.