ASIA & THE PACIFIC
HEALTH FINANCING
FORUM

Financing for Essential Medicine for PHC

Session 7

Financing Primary Health Care: Opportunities at the Boundaries

September 15-16, 2022
Bangkok, Thailand

Co-hosted by: WORLD BANK GROUP, Australian Aid, GLOBAL FINANCING FACILITY, USAID FROM THE AMERICAN PEOPLE

Supported by: The Global Fund, Joint Learning Network, Gavi The Vaccine Alliance, Bill & Melinda Gates foundation

Session Chair

Ms. Jane Pepperall

Senior Health Advisor
Global Health Division
DFAT

ASIA & THE PACIFIC HEALTH FINANCING FORUM 2022

Session 7

Financing for Essential Medicines for PHC

Set-the-scene

Dr. David Evans
Consultant
WB

Moderator

Dr. Valeria de Oliveira Cruz
Regional Advisor
Health Financing and Governance
WHO SEARO

Panelists

Dr. Nguyen Khanh Phuong, Deputy Director, Health Strategy and Policy Institute, Ministry of Health, Vietnam

Dr. Shah Abdullah Mahir, State Minister for Health, Maldives

Dr. Narayan Swaroop Nigam, Secretary- Health & Family Welfare Department, Government of West Bengal, India [*virtual*]

Dr. Sang-Baek Chris Kang, Director-General of Global Cooperation, National Health Insurance Service, South Korea [*virtual*]

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Objective of the Session

- To explore the experiences of selected countries in seeking to reduce OOPs associated with medicines

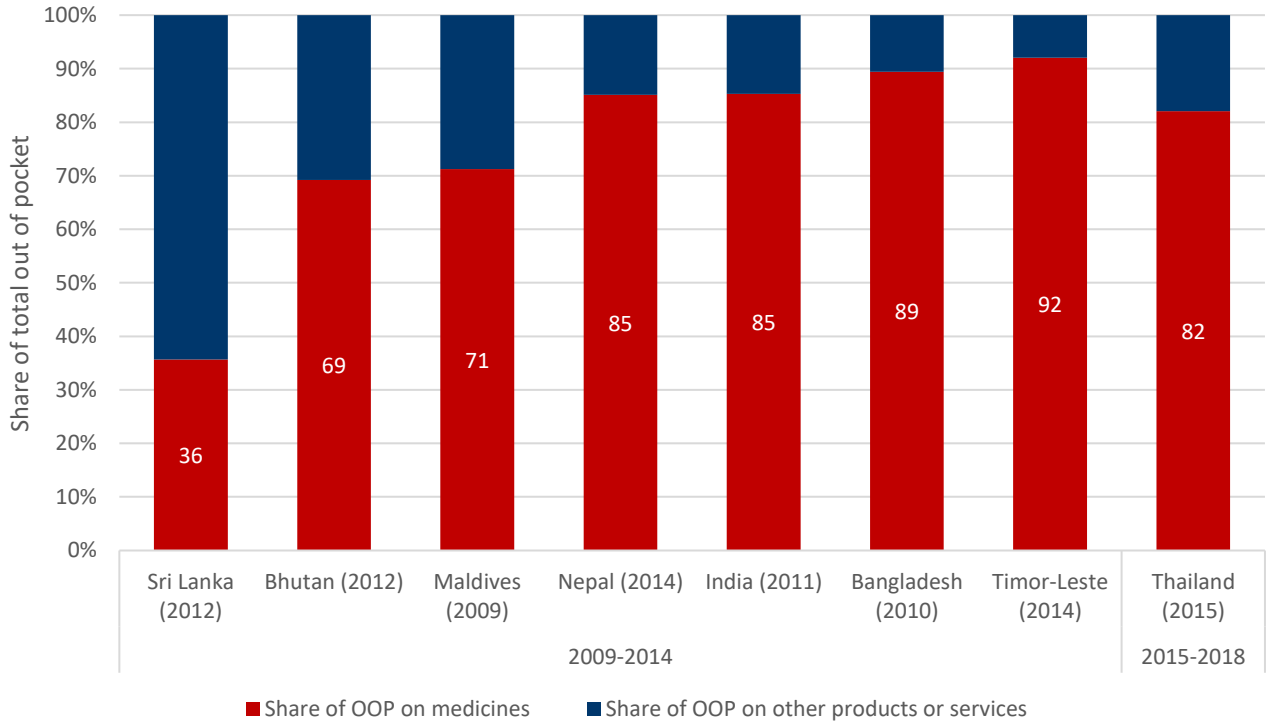
Premises

1. Out-of-pocket health payments (OOPs):
   - Prevent millions from seeking or continuing needed health services
   - Result in severe financial hardship for millions who do seek care – latest estimates (2017):
     - 1 billion annually suffer financial catastrophe
     - 43 million pushed into severe poverty
     - 435 million pushed further into poverty
2. Paying part or all of the costs of medicines accounts for a high share of OOPs: surveys show over 50%, as high as 70%.
3. Prepaid funding from obligatory prepaid sources – government taxes, levies, charges and obligatory health insurance premiums – preferred way of funding health

South East Asian Region of WHO

SDGs, UHC and financial protection: Leaving no one behind – 2022 update

Average composition of OOP for the lowest quintile, sub-sample of countries, latest available evidence



Source: Data extracted from Table 7 in[12] and data for Timor-Leste based on background data prepared by WHO for the 2021 update of the WHO and World Bank global financial protection database.

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Objective – reduce OOPs associated with medicines

If all medicines that people buy are included in a guaranteed package covered from obligatory prepaid and pooled funds – the problem is solved

BUT:

a. Not affordable in many low- and lower middle-income countries
b. Not desirable to include all of them – e.g. WHO estimates that 50% of all medicine consumption involves overuse, underuse, or misuse

Steps to reduce OOPs for medicines

1. Develop plans to progressively include essential PHC medicines into guaranteed packages. (This needs to be accompanied by macroeconomic policy to redress the decline or stagnation in GGE per capita, and to increase the shares of GHE going to health and to PHC)
2. Better understand the cause of high OOPs on medicines
3. Develop strategies to address these causes as well as 1. above

Possible Causes

1. The medicines people pay for are not covered, or only partially covered, by pre-paid and pooled funds (either through a national health system or social health insurance)
2. Medicines are supposed to be available in the public sector or covered by insurance, but are not, forcing patients to purchase privately or the medicines are available but patients seek care elsewhere due to other public sector shortcomings
3. The prices paid by patients are higher than they should be
4. The volume consumed by patients is higher than it should be

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Panel Discussion

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h·well NHIS National Health Insurance Service

Discussion Material

NEW DRUG INTRODUCTION AND PRICE NEGOTIATION PRACTICE OF KOREA:

Process and Governance Perspective

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National Health Insurance Service

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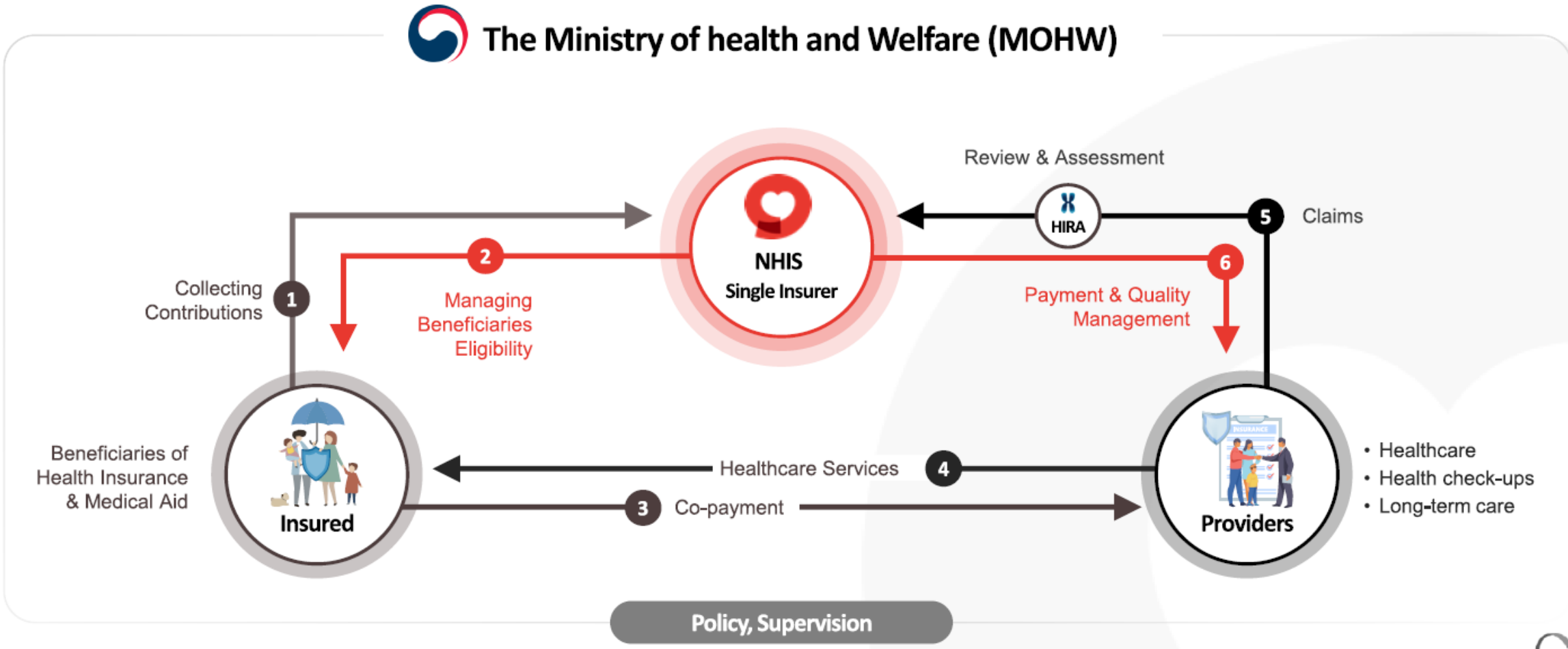
National Health Insurance Service

Overview of the Korean NHI Scheme

Governance of the NHI



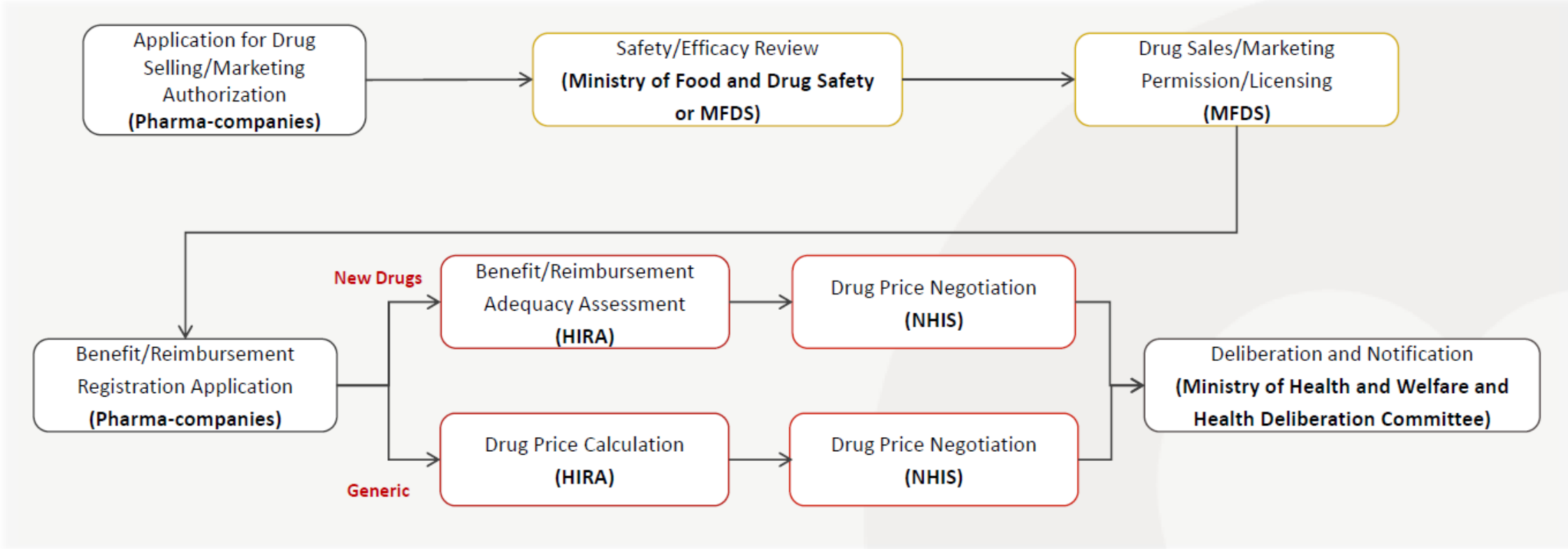
Definitions of Reimbursement / Non-reimbursement Drugs

- **Terminology: Drug Classification and Examples in Korea**

Classification	Reimbursement Drugs	Non-reimbursement Drugs
ETC (Ethical The Counter Drugs)	• Need a doctor's prescription • Drugs eligible for insurance; ex) Blood pressure drugs, Diabetes drugs, Anticancer drugs, etc.	• Need a doctor's prescription; Drugs not covered by insurance; ex) Hair loss treatment, Erectile dysfunction treatment, etc.
OTC (Over the Counter Drugs)	• Can be purchased without a doctor's prescription; ex) Pain relievers (Tylenol, Ibuprofen, etc.), some cold medicine, etc.	• Can be purchased without a doctor's prescription; ex) Complex vitamins, complex digestive medicine, etc.

The Process of New Drug Introduction and Reimbursement

- **Drug Authorization and Benefit Listing Process in KOREA**



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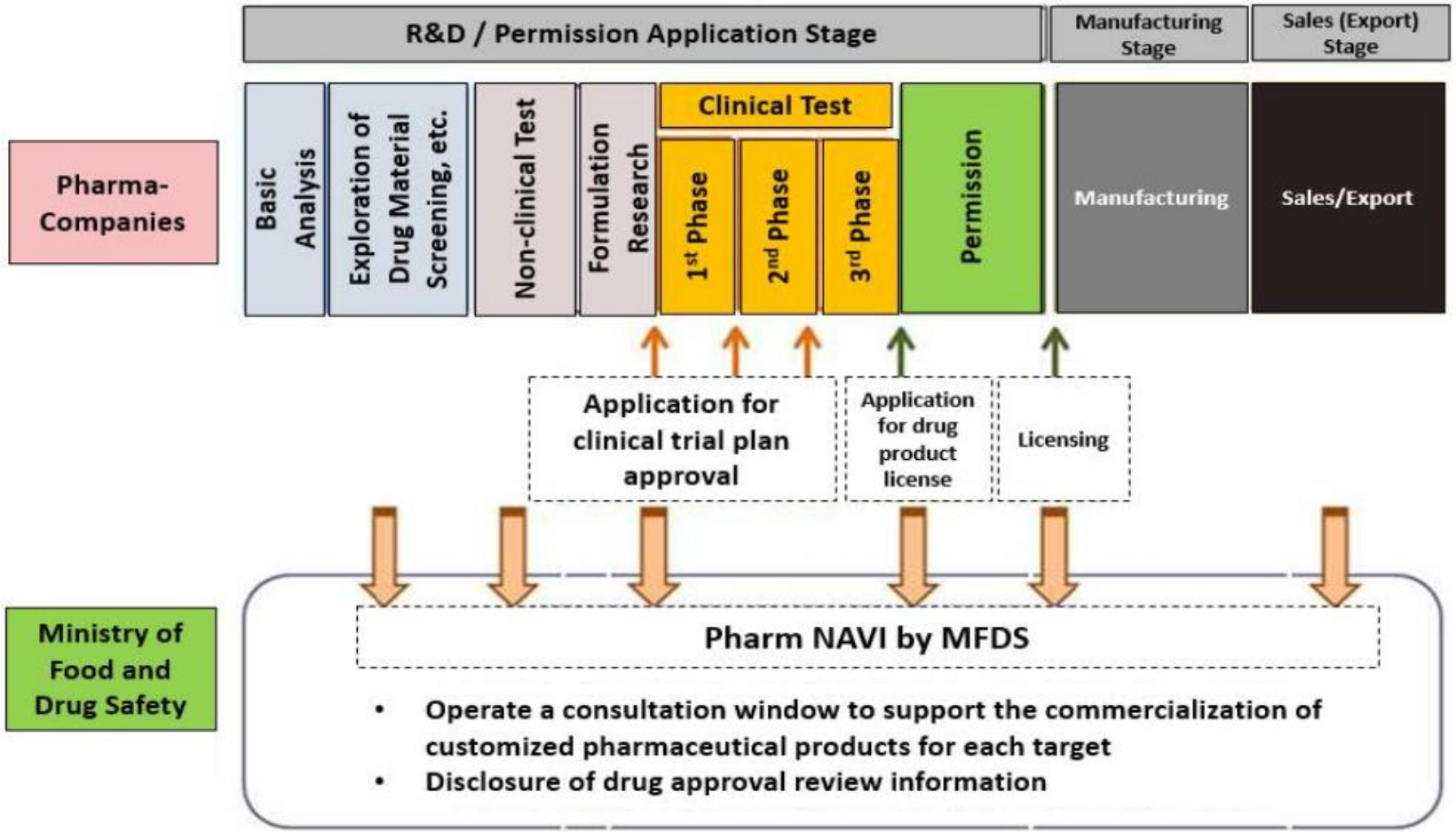
National Health Insurance Service

The Process of New Drug Introduction in Korea

The Process of New Drug Introduction in Korea

New Drug Introduction and Licensing by MFDS



- From the early stage of drug development, the Ministry of Food and Drug Safety (MFDS) started and is actively promoting the "Palm Butterfly Project" in order to support rapid commercialization and global advancement through customized consultations for each product.
- MFDS is inducing rapid commercialization and selection of directions from the development stage to approval through close consultation.
- In addition, useful overseas information such as reports and ICH guidelines (in English and translated), such as reports on drug approval and approval systems in major exporting countries, is provided to pharmaceutical companies.

The Process of New Drug Introduction in Korea

Drug Benefit Package Review and Assessment by HIRA

HIRA's standard for assessing new drug listing for reimbursement

Clinical usefulness review

- Substitutability
- Treatment benefit
- Medically necessary

-> should show an improvement in which benefits are recognized from a social point of view.

Cost-effectiveness review

- Cost compared to the degree of improvement in effectiveness
- ICER (1-2 GDP), flexible application

-> An explicit threshold is not used, and per capita GDP is used as a reference range to flexibly evaluate disease severity, social burden of disease, impact on quality of life, and innovation.

-> In Korea, ICER (Incremental Cost Effectiveness Ratio) used the GDP per capita as the threshold value.

- It is suitable for clinical usefulness and cost effectiveness, etc. as a subject for economic evaluation analysis results submission.
- The weighted average price of alternative drugs associated with daily dosing cost is the suggested reimbursement amount for the new drug if the pharmaceutical company accepted.
- If not, it will be a non-covered item.

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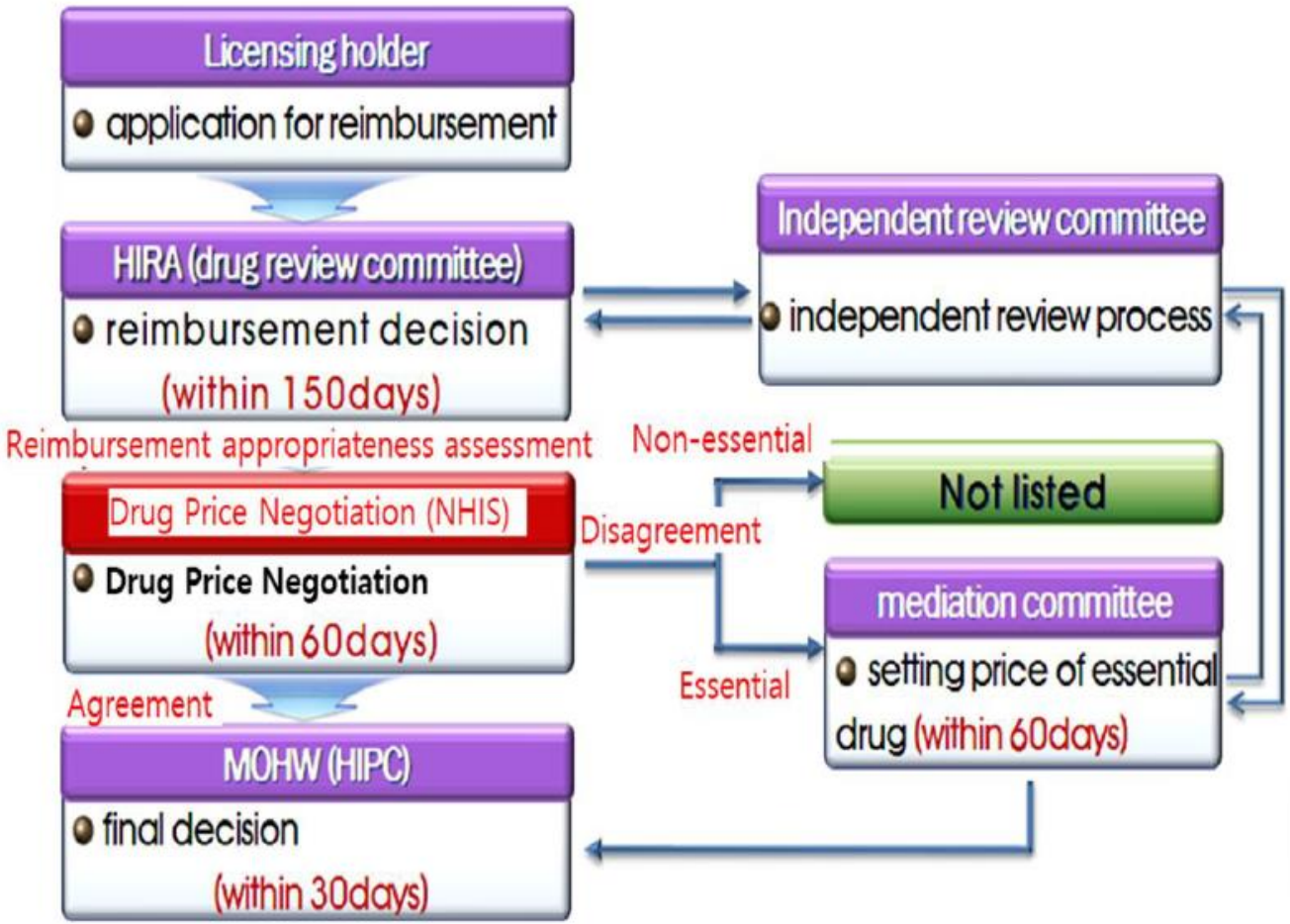
The Process of New Drug Introduction in Korea

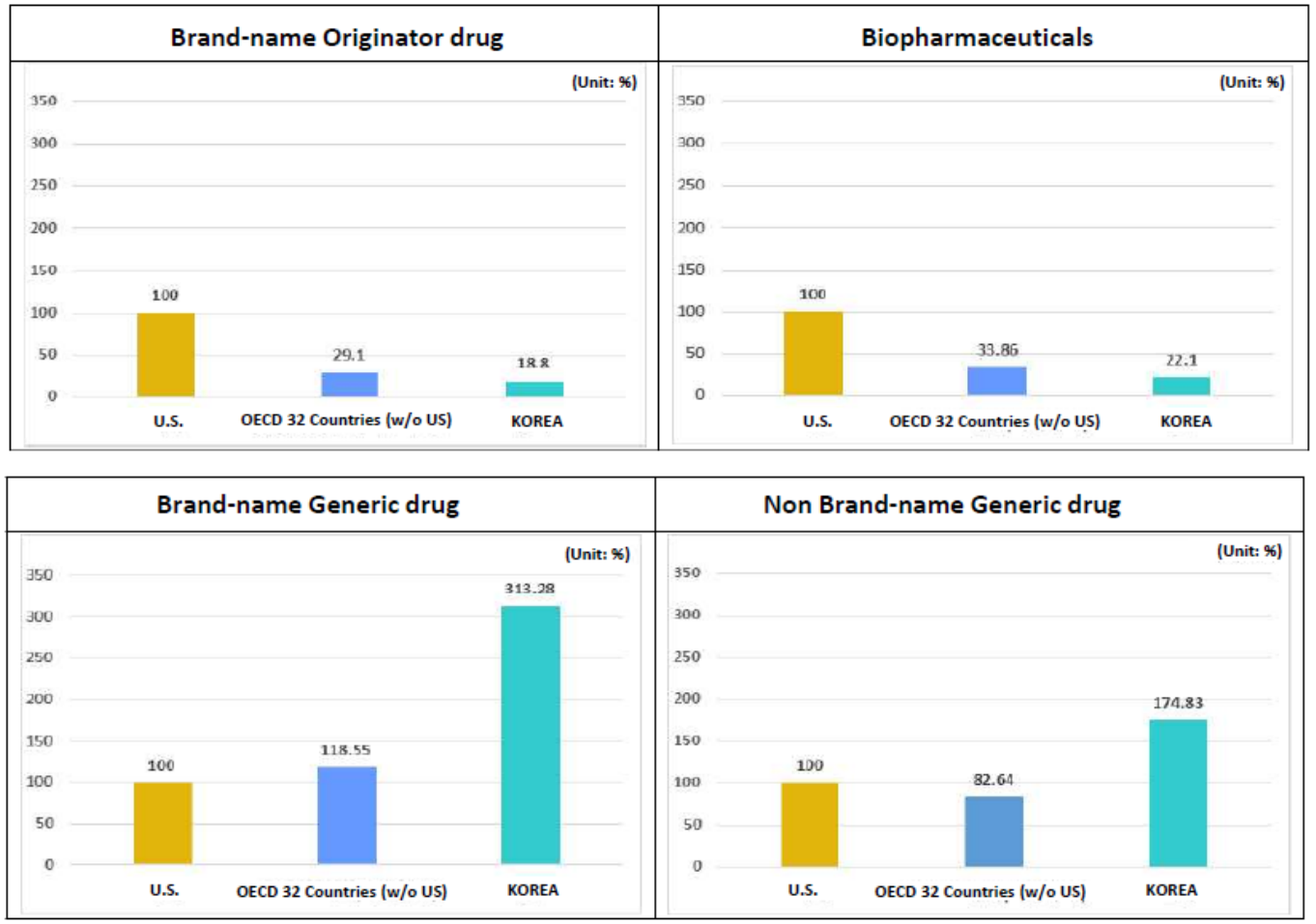
Drug Price Negotiation by NHIS



- When a pharmaceutical company submits an application for reimbursement, it goes through (Drug Review Committee) within 150 days at the HIRA.
- Drugs that are judged to be appropriate for reimbursement according to the results of the Committee are to be pricewise negotiated for 60 days with NHIS.
- In the event of a disagreement in negotiations, not listed if it is non-essential drugs.
- Incrementally Modified Drugs (IMD) – 90-110% of original drug price.
- Generic Drugs - 70% for the patent expired original drug after the introduction of the generic drugs and cuts down to 53.55% after 1 year
- PVA is a system with great potential in post-market management of drug costs. During 2017-2019, total 112 medicines' prices were reduced by 4.6% as a results of PVA with up to 100 Million USD saving.

The Process of New Drug Introduction in Korea

Drug Price Comparison US vs. Korea



Source: RAND Institute, International Prescription Drug Price Comparisons, 2021.1.

- The United States is the country with the highest sales and prescriptions of prescription drugs. In Korea, sales and prescriptions for brand generics are different from the average in the United States and other OECD countries.
- Compared to the US, the price of drugs in Korea is 18.8% for brand name originator drugs and 22.1% for biopharmaceuticals.
- However, Korea's price for Brand-name generic drugs is 313% higher, and non-brand generic drugs are 175% higher than US.
- Korea's case is a bit complicated for new drug introduction and reimbursement. As seen in US /OECD vs. Korea comparison shows, drug price is well monitored and controlled by the government and related agencies.
- Still there are many areas for drug price adjustment for lowering OOP payment and sustainable health system in Korea.

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