



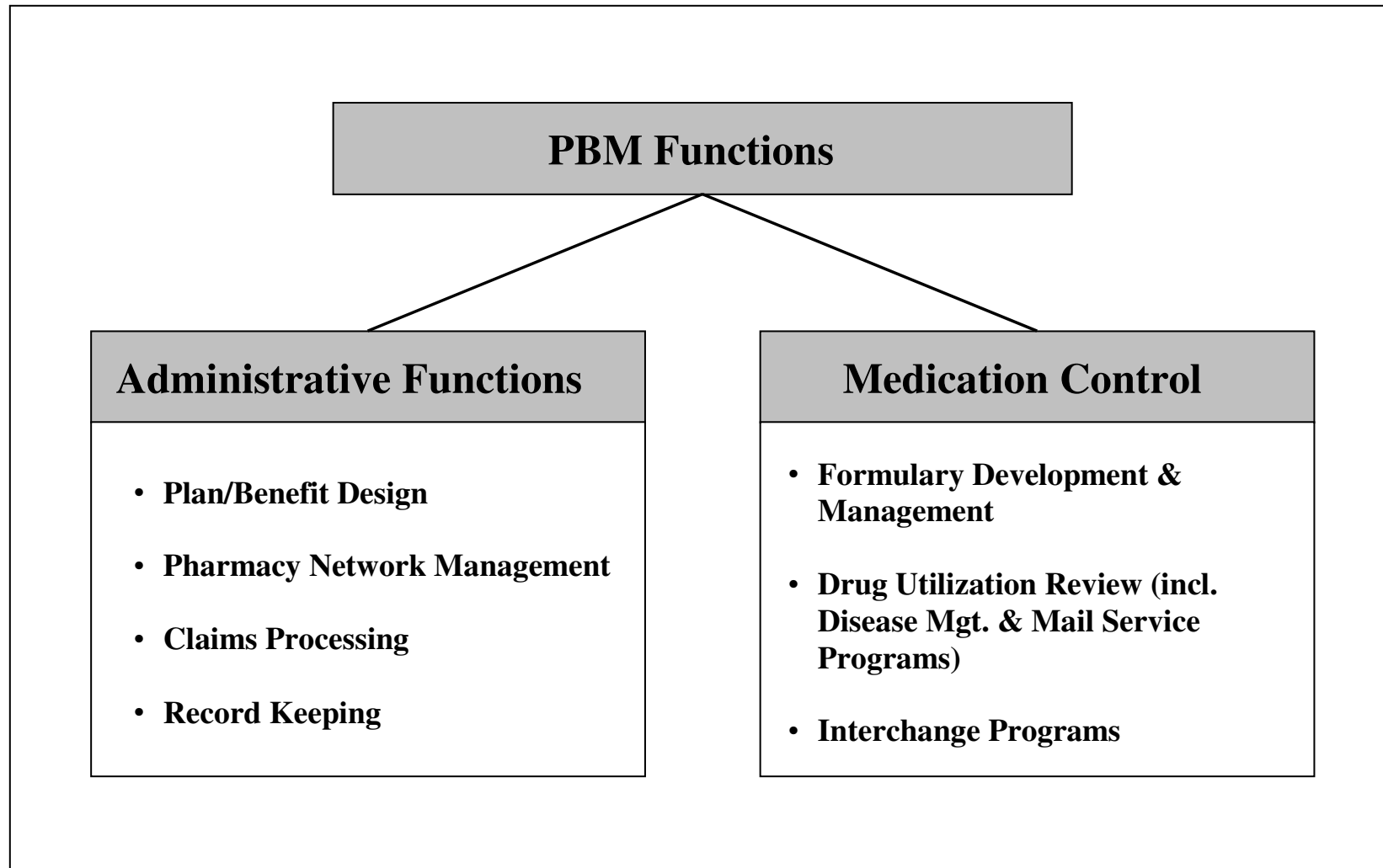
***Controlling Costs for Prescription Medicines
in German Statutory Health Care –
Aut-idem regulation or Pharmaceutical
Benefit Management***

5th European Conference on Health Economics
London

11th September 2004

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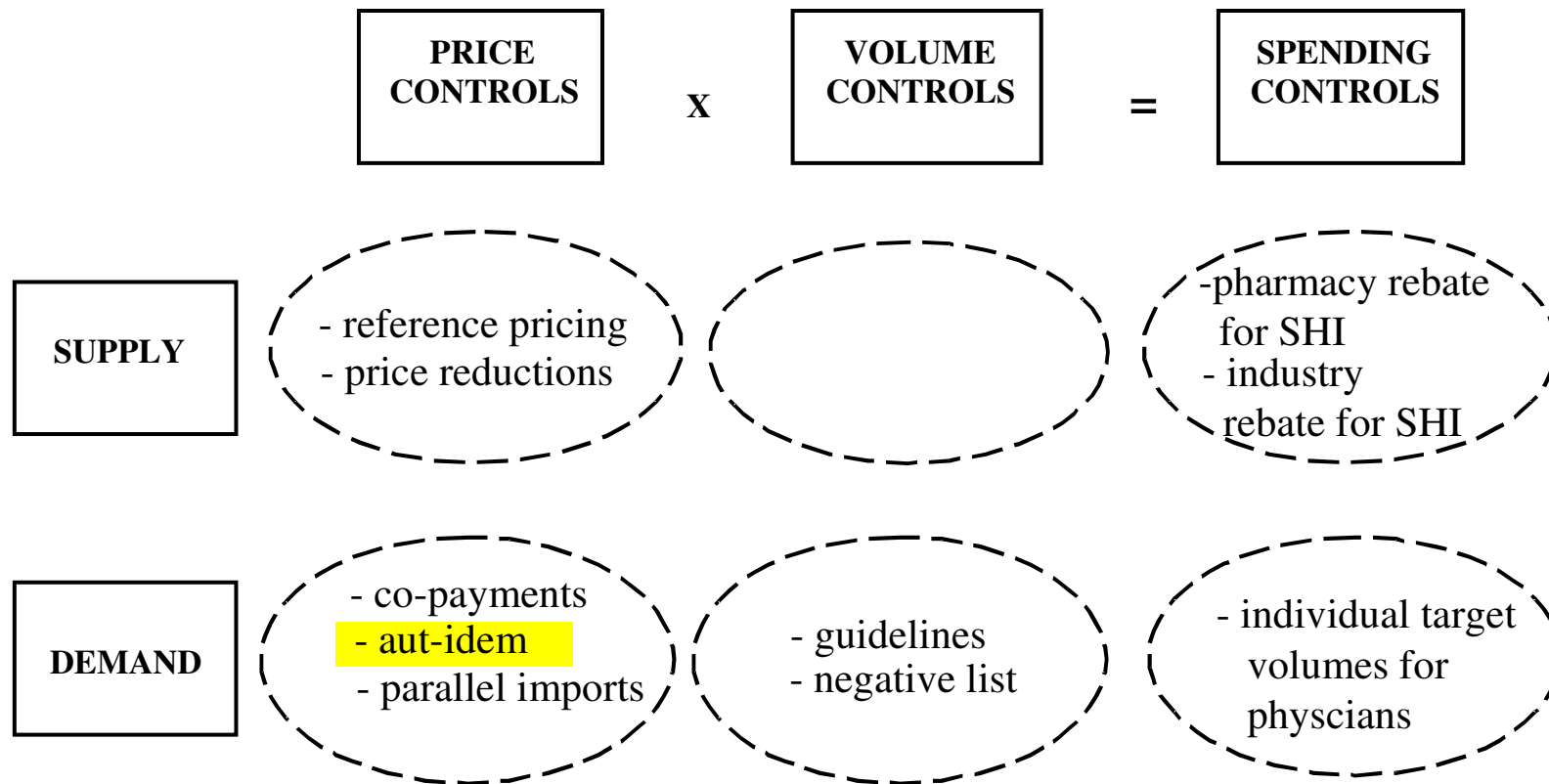
Pharmaceutical benefit management in the US



Elements of pharmaceutical benefit management in Germany

- aut-idem regulation
- possibility for sickness funds to introduce primary care pharmacies
- individual contracts between sickness funds and pharmaceutical companies

Different regulations in the German pharmaceutical market



Aut-idem regulation as part of a German pharmaceutical benefit scheme (2002-2003)

Pharmacists were supposed to substitute non-patented prescribed drugs,

- If physicians not indicated on the prescription that substitution is prohibited
- If their price is above the substitution line

For setting the substitution line

- Classes of replacable active ingredients and pharmaceutical forms were defined
- The average selling price of the three cheapest and the three most expensive drugs was calculated
- Price difference between the calculated average prices was divided into three parts. One part is added to the average price of the three cheapest products

-> only savings of €45 Mio. in 2002 and €170 Mio. in 2003

Aut-idem failed due to the following reasons

Industry:

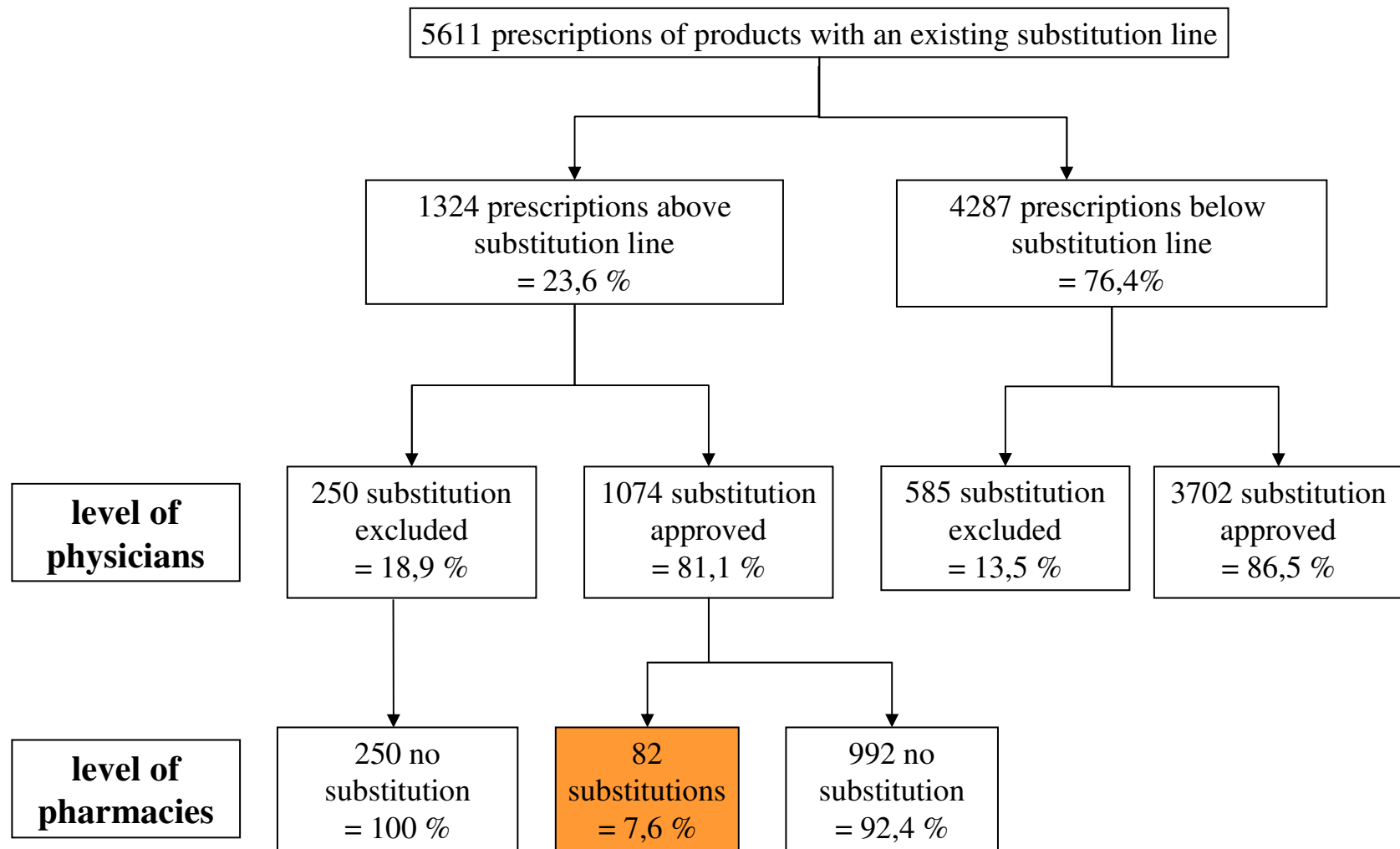
- price line has been continuously manipulated by launching high price dummies
- prices for certain products have been decreased to be below the substitution line
- potency of drugs has been reduced to save costs
- package size has been changed

Pharmacists: no financial incentives to apply the aut-idem rule and no sanctions

Physicians: many prescriptions were excluded from substitution

Sickness Funds: high administrative costs

Aut-idem: random test on substituted prescriptions in southern Germany



Source: Pharmafact 10/2002.

Aut-idem rule has been modified with effect of July 2004

- price line of the lower third has been integrated into the reference price system
-> reference price of every group has been amended to the lower third
- pharmacists are supposed to substitute with one of the cheapest 3 products if only an active substance is prescribed
- pharmacists can substitute if a certain product is prescribed and not excluded from substitution
-> still no incentive for pharmacists to substitute

The primary care pharmacy as part of a German PBM

The Barmer-concept of primary care pharmacies:

- One of the largest sickness funds has contracts with 17 regional associations of pharmacists
- Insured enrol by registering with one participating pharmacy
- Pharmacies offer certain services as check-up services, home delivery services, rabate options (3-5%) on certain products e.g. dietary products
- Developing a database for prescription monitoring service
- Other PBM services as development of prescription profiles, prescription reports in case of intolerable side effects

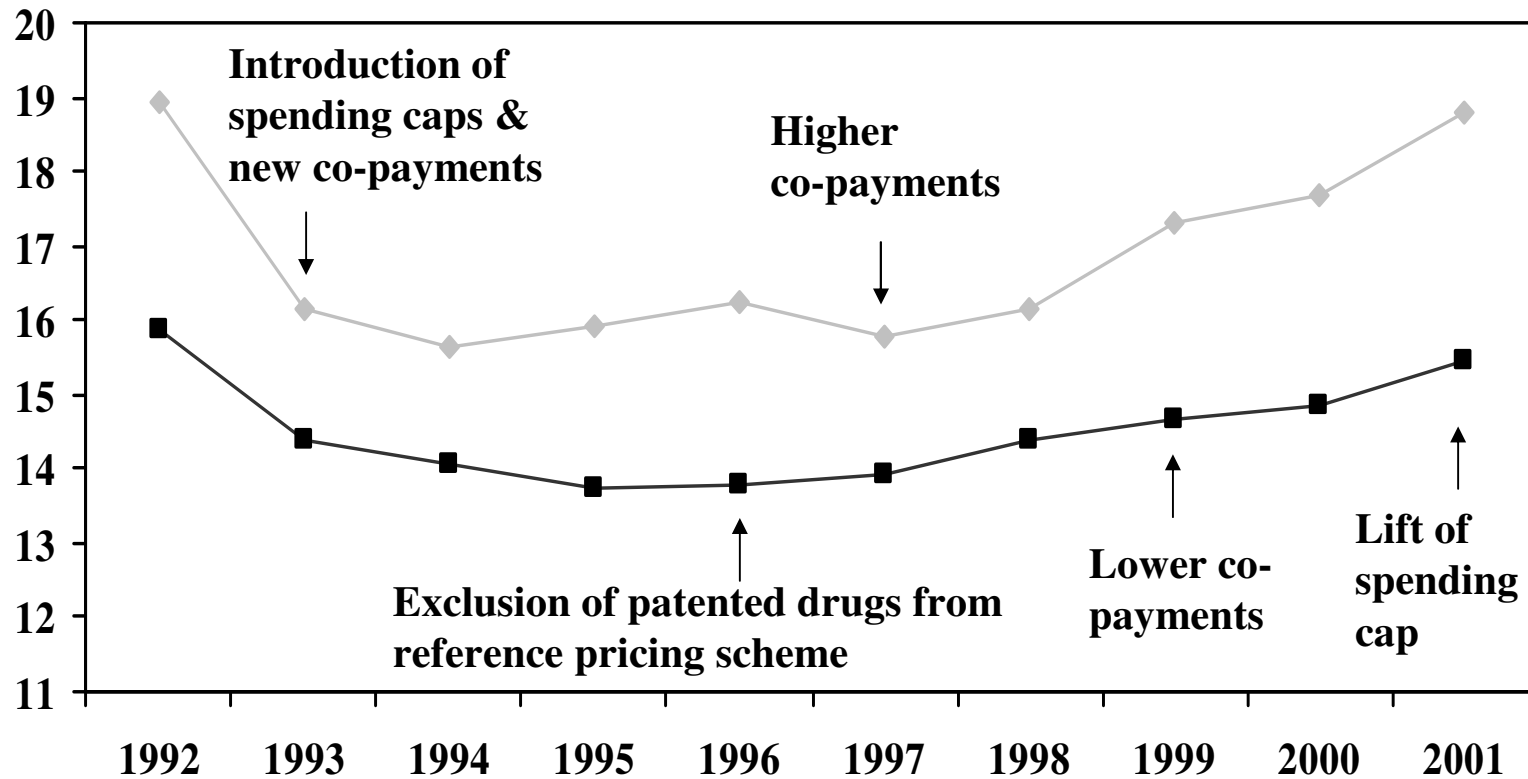
Advantages of primary care pharmacies as part of a German PBM

- Allows the collection of individual prescription data
 - can improve information flow between physicians and pharmacists
 - Valuable point of contact to reduce the psychological barrier of seeking advice
 - Provides the opportunity for pharmacists to strengthen customer relationship
- > overall, 47% of all German pharmacies have already enrolled in the Barmer-concept

Conclusions

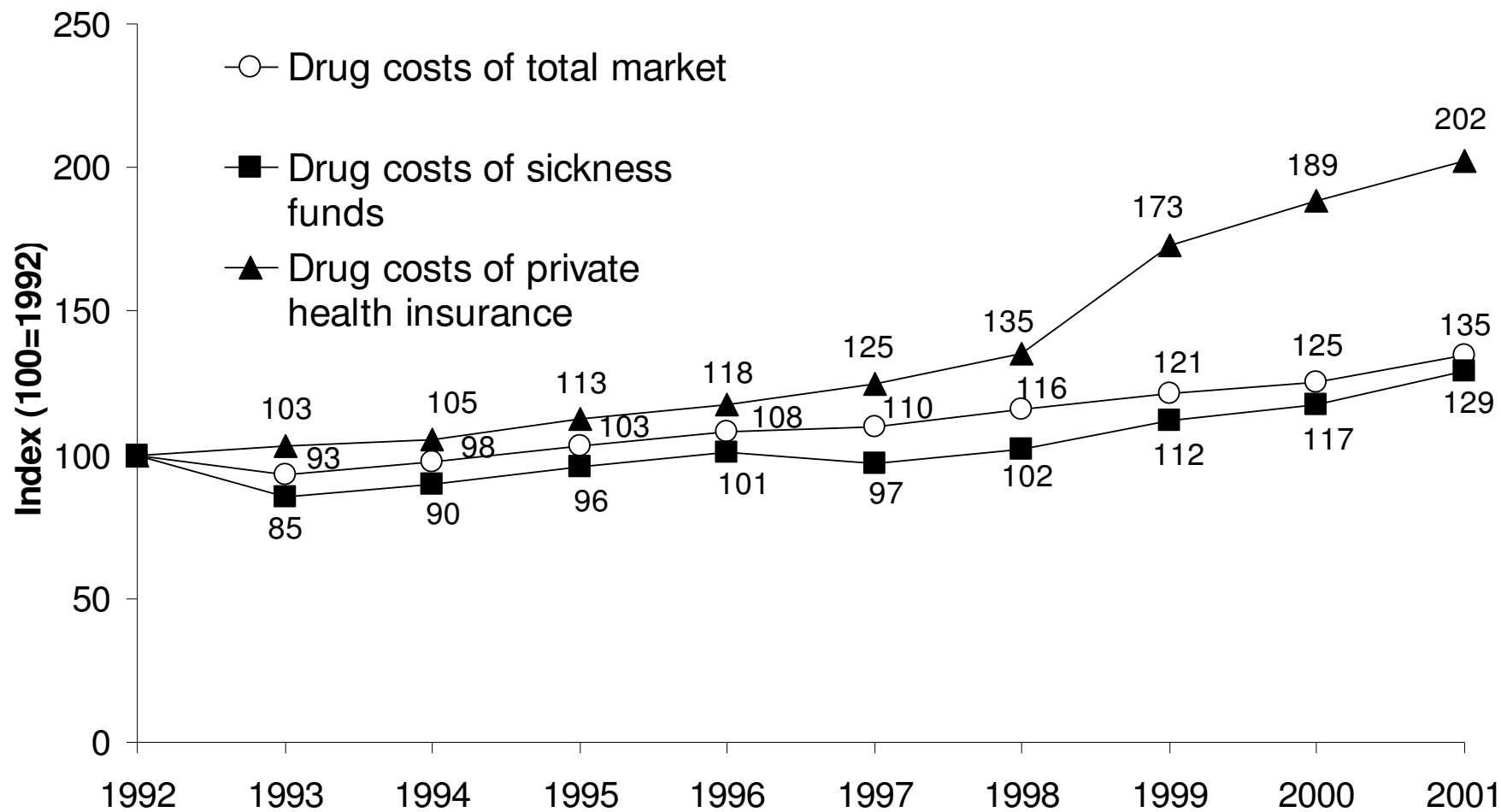
- Despite of its shortcomings aut-idem regulation remains an important element of structural reforms towards PBM
- There could be further development towards PBM on level of individual sickness funds (e.g. by selective contracting)
- Initiatives of individual sickness might be more accepted and successful than government prescribed cost containment measures
- Cost containment strategies taken over the last years have proven insufficient

Pharmaceutical expenditure as % of health expenditure



- ◆— Public pharmaceutical exp. as a % of public health exp. (GKV)
- Total pharmaceutical expenditure as % of health expenditure

Development of drug costs: statutory vs. private health insurance



Questions for discussion

- Was pharmaceutical regulation in Germany really not successful?
- Are pharmacists the right target group for substitution schemes?
- Can Germany learn from substitution schemes in other European countries?