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

**PBM Functions**

**Administrative Functions**
- Plan/Benefit Design
- Pharmacy Network Management
- Claims Processing
- Record Keeping

**Medication Control**
- Formulary Development & Management
- Drug Utilization Review (incl. Disease Mgt. & Mail Service Programs)
- Interchange Programs
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

PRICE CONTROLS \( \times \) VOLUME CONTROLS = SPENDING CONTROLS

SUPPLY
- reference pricing
- price reductions
- co-payments
- parallel imports

DEMAND
- guidelines
- negative list
- aut-idem
- individual target volumes for physicians

- pharmacy rebate for SHI
- industry rebate for SHI
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

5611 prescriptions of products with an existing substitution line

1324 prescriptions above substitution line
  = 23.6 %

4287 prescriptions below substitution line
  = 76.4 %

250 substitution excluded
  = 18.9 %

1074 substitution approved
  = 81.1 %

585 substitution excluded
  = 13.5 %

3702 substitution approved
  = 86.5 %

250 no substitution
  = 100 %

82 substitutions
  = 7.6 %

992 no substitution
  = 92.4 %

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
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?