

INTERNATIONAL PRICE COMPARISON: THE CYPRIOT EXAMPLE



Athos Tsinontides
Health Insurance Organisation

CYPRUS



Demographics



Population (2004):	750.000
---------------------------	----------------

Gross Domestic Product (GDP):	€12.5 bil.
--------------------------------------	-------------------

Total Health Expenditure (THE):	€772 mil.
--	------------------

Total Health Expenditure in % of GDP:	6.2%
--	-------------

Total Pharmaceutical Expenditure (TPE):	€ 122 mil.
--	-------------------

Pharmaceutical Expenditure in % of THE:	16%
--	------------

Pharmaceutical Products:	2.600
---------------------------------	--------------

Cyprus Pharmaceutical Care



PRESENT

• Public Sector

- Covers 70% of population
- € 65 mil. for in and out patient care*
- Drug procurement through tenders
- No price setting mechanism

• Private Sector

- Covers 30% of population
- € 57 mil. for in and out patient care**
- Out-of-pocket spending with limited 3rd payer contribution

FUTURE

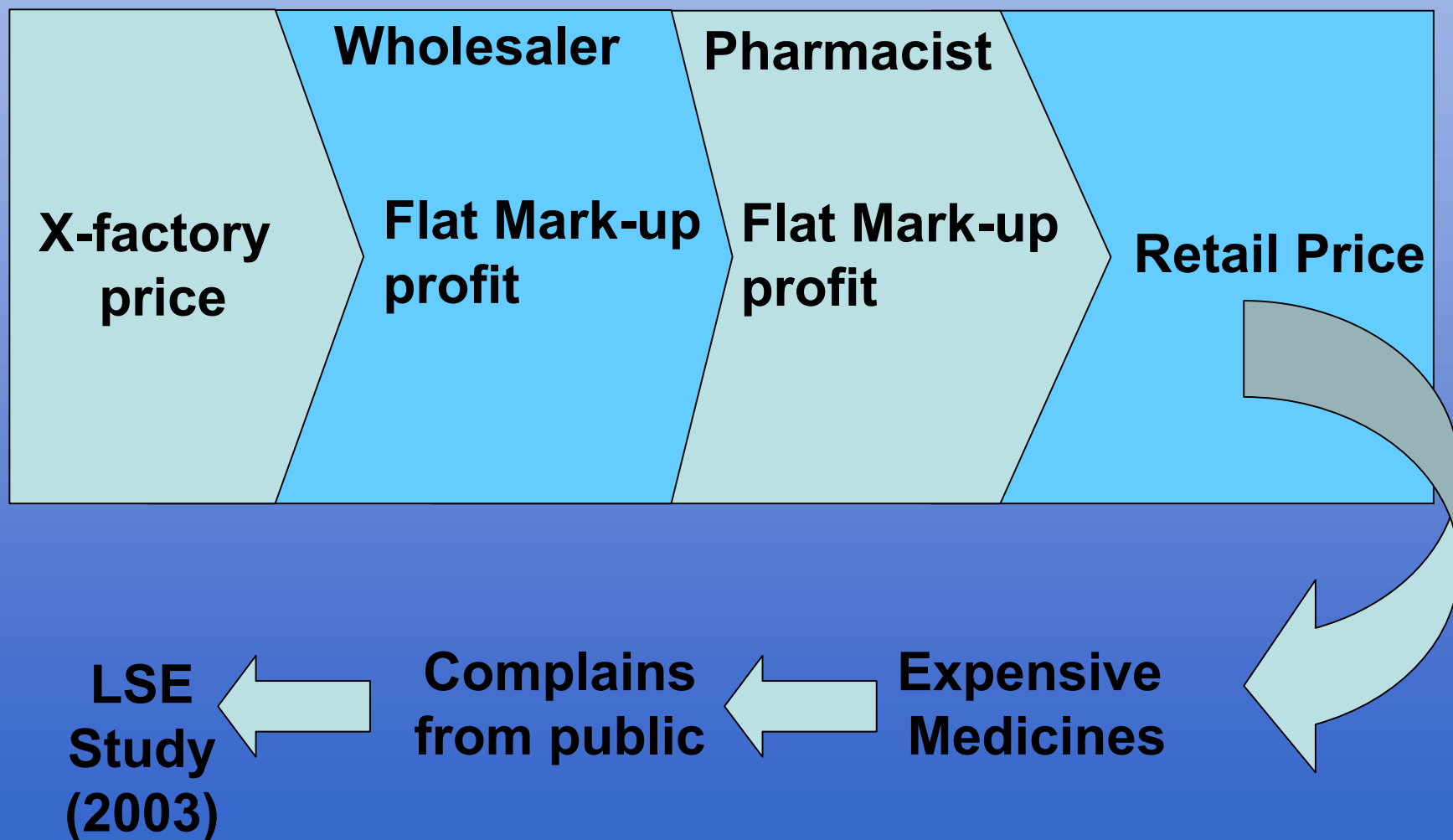
General Healthcare Scheme

Mandatory contributions from all working citizens and healthcare coverage to all Cypriots including children, unemployed and pensioners

* Tender prices

**WS prices

Pricing Policy Historic Overview 1980 - 2005





LSE Study Results

- Wholesalers
 - Too many (> 60 wholesalers)
 - Profit (2003)
 - ([X-factory + 6% (S&H)] + 25%)
 - 15% of the retail price Vs 6.9% EU average
- Medicines imported from high price sources
- Expensive medicines
 - 50 most expensive medicines cost comparison
 - Cyprus > Greece, Belgium, Denmark, Ireland, Sweden, Spain
 - 50 most sold products by volume cost comparison
 - Cyprus > Greece, Denmark, Belgium and Malta
- Negotiations with stakeholders

New Pricing Policy (Private Sector)



- External Price Referencing
- Pharmacy Purchase Price - Basket of 4 countries

	High	Medium	Low
Reference Countries	1. Sweden	1. Austria 2. France	1. Greece
Alternative Reference Countries	H1 Denmark H2 Germany	M1 Italy M2 Belgium	L1 Spain L2 Portugal



New Pricing Policy (cont.)

- Pharmacy Purchase Price (PPP)
 - X PPP price in 4 countries
 - + 3% S&H
 - Why PPP was used?
- Wholesalers' Profit
 - Not controlled
 - Wholesaler free to negotiate profit with manufacturer
 - Incentives to import from cheaper sources
- Pharmacists' Profit
 - Set by Ministerial Decree
 - Increased from 33% to 38% applied on PPP



Price Determination - Rules

- Ref. Country Combinations
 - HMML, HML, HMM, MML, HL, HM, MM, ML, H, M & L
- Currency Exchange
 - Average exchange rate of previous year
- Products Not Available in Ref. Countries
 - Old price
- Comparable Products
 - Same brand or
 - Same active ingredient and manufacturer
 - Immediate release caps and tabs



Price Determination - Rules

➤ Products Applied

- All imported products
 - Brand, generic and OTC

➤ Generics

- Reference price $\leq 80\%$ of branded product

➤ Locally manufactured generics

- Manufacturer's cost + 20%
- PPP $\leq 80\%$ of branded product



Results on Imported Medicines

Number of pharmaceuticals with a decrease in price

961

Number of pharmaceuticals with an increase in price*

360

Number of pharmaceuticals not found

343

* the price for the medicines that would increase in price if the reference pricing was applied was frozen



Financial Savings

Consumption	2005
% decrease in Pharmaceutical Expenditure on the imported medicines with a price decrease	24%
% decrease on Total Pharmaceutical Expenditure	15%
Total Savings	€14 mil



System Problems Encountered

- Difficulty in obtaining the PPP
 - Difficulty in finding pricelists
 - Pricelists in variety of languages
 - Difficulty in understanding special conditions
 - Pricelists change continuously
 - No prices for hospital-only products
- Not all products available in 4 Ref. Countries
 - Single reference country comparisons
 - Nullified the effect of ref. pricing



System Application Problems

- Great variability in packages and forms
 - Needed to make adjustments
- Only retail price available
 - Had to calculate PPP
- Tedious work
- Products were removed from the market
 - Products with low sale volumes
 - Products with low price whose price was decreased

Changes Since 2005

➤ 2006

- Generic medicines
 - 80% of branded products
- Products with PPP < €6.00 after reference pricing
 - Add €0.50
- Precondition
 - New PPP will not exceed the PPP that existed before 2005 (old pricing policy)



Future Reforms

- Implementation of the General Healthcare Scheme
- Single provider of healthcare
- New pricing policy
 - Wholesalers
 - Pharmacists
- New reimbursement policy
 - Positive list
 - Co-payment scheme

Cavo Creco – Agia Napa/Protaras



Thank you for your attention