

# Are hospital medicines prices influenced by discounts and rebates?

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## Problem statement

Information on the pharmaceutical sector has usually been focused on the **out-patient sector**. While there is anecdotal knowledge of the relevance of discounts and rebates in the in-patient sector, **little evidence** was available on the **hospital sector** regarding medicines.

## Objective

To identify and understand the **actual hospital medicines prices**

## Methodology:

**Cross-national survey** consisting of two steps:  
→ **Qualitative survey** with **competent authorities** and **hospital pharmacists** about purchasing strategies for hospital medicines, including the practice of discounts, rebates and cost-free medicines, in the EU Member States and two further European countries (Norway, Turkey). Information providers wrote a country report (PHIS Hospital Pharma report) based on a template, and answered, alternatively, a questionnaire.  
→ **Price survey** of **12 active ingredients** in **25 hospitals** in five countries (Austria, the Netherlands, Norway, Portugal, Slovakia). Price collection via study visits of the project team in the hospitals.

## Definitions (PHIS Glossary, <http://phis.goeg.at>)

### Discounts and rebates

**Discount:** A price reduction granted to specified purchasers under specific conditions prior to purchase.  
**Rebate:** Rebate is a payment made to the purchaser after the transaction has occurred. Purchasers (either hospitals or pharmacies) receive a bulk refund from a wholesaler, based on sales of a particular product or total purchases from that wholesaler or manufacturer over a particular period of time.

### Hospital prices

The price or amount paid by a hospital (or hospital pharmacy) in order to take delivery of certain unit of medicines. Often the hospital price corresponds to the pharmacy purchasing price. It may or may not include VAT.

### Cost-free medicines

Cost-free medicines are products which are given to hospitals/hospital pharmacies in the course of the delivery without need for payment (e.g. from wholesaler to hospitals/hospital pharmacies or pharmaceutical company to hospitals/hospital pharmacies).

## Results

### Discounts, rebates and cost-free products in hospitals in European countries, 2009/2010

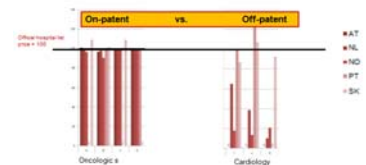


#### European overview

- Of a total of 27 European countries, **25 countries** reported about the **practice of discounts and/or rebates** (ex-post price reductions).
- The **extent of the discounts and rebates** varied among the countries and with regard to the products.
- Apart from Italy with mandatory discounts to the NHS, discounts were always **commercial** and as such usually **kept confidential**.
- Cost-free medicines** (i.e. medicines provided without payment) were reported to be a **practice in six countries**, whereas it is **legally forbidden** in **another six countries**.

#### Country case studies

- In **Austria, the Netherlands, Portugal, and Slovakia** discounts were granted in individual negotiations between suppliers and hospitals for some of the surveyed products (e.g., for cardiovascular medicines where generics were available; however no discounts for oncology medicines).
- In **Norway**, discounts played no role since medicines were tendered centrally.
- In **Austria and Slovakia** medicines were provided cost-free to some/all hospitals (only in the indication of cardiovascular treatment).
- In **Portugal**, unit prices of nearly € 0.00 were surveyed for a few cardiovascular medicines attributable to rebates.



Source: PHIS Hospital Pharma Report 2010 (<http://phis.goeg.at>)

## Discussion and conclusion

In the in-patient sector, confidential discounts, and, to a lesser extent rebates and cost-free medicines, are common in some countries and thus impact the medicines prices. As a result, for specific medicines actual medicines prices in hospitals are lower than ex-factory prices and official list prices in hospitals as well as the prices in the out-patient sector. Discounts are more likely to be provided where (off-patient) therapeutic alternatives are available. Large discounts and cost-free provision appear to be a practice for "strategic products" which account for high volume and expenditure in the out-patient sector.

The study has highlighted the need for more transparency about medicines prices: Price surveys should not only consider official list prices, but also actual prices.

### No conflict of interest

The survey mentioned was performed in the framework of the PHIS project funded by European Commission, DG SANCO and the Austrian Federal Ministry of Health.

### PHIS (Pharmaceutical Health Information System)

The PHIS project (<http://phis.goeg.at>), which ran from September 2008 to April 2011, aimed at increasing knowledge and exchange of information about pharmaceutical policies, in particular on pricing and reimbursement, in the EU Member States, covering both the out-patient and with a special focus also the in-patient sector.

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