

External Price Referencing – an European overview

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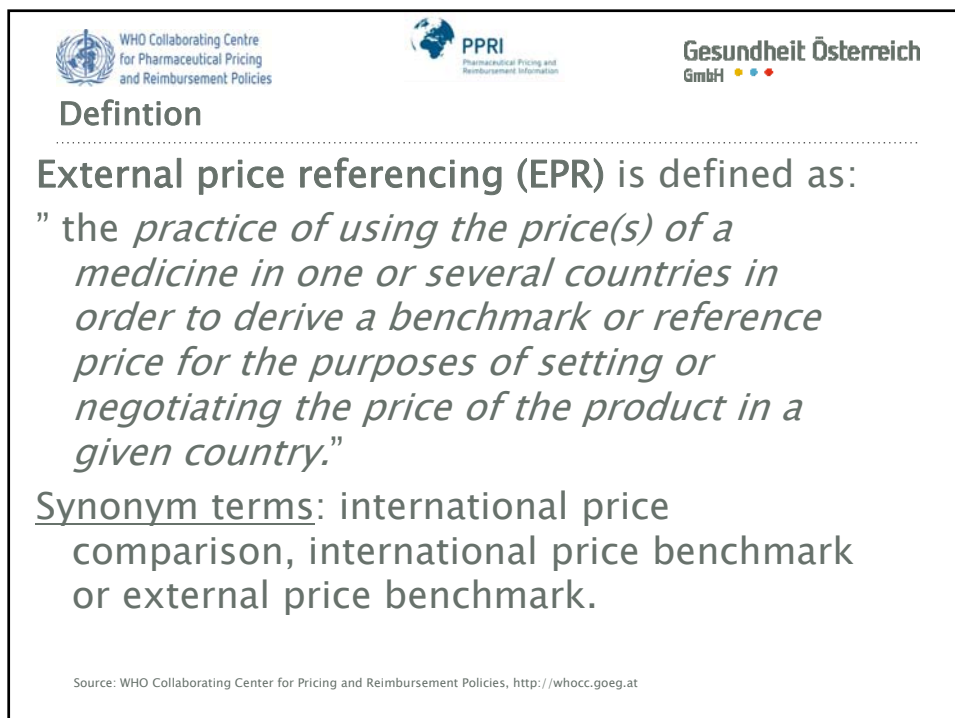
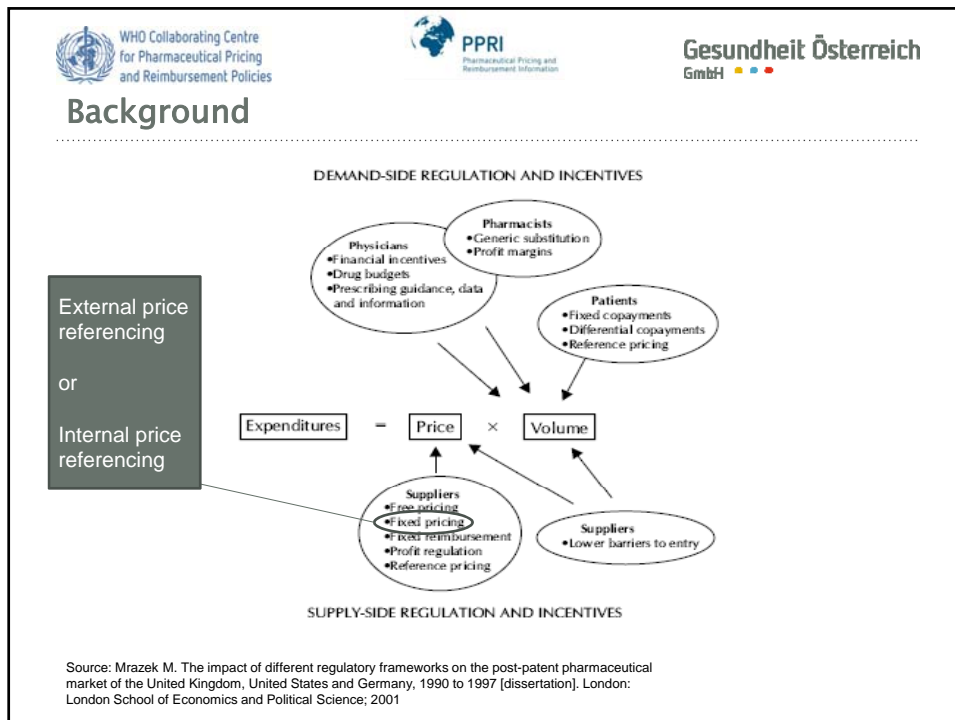
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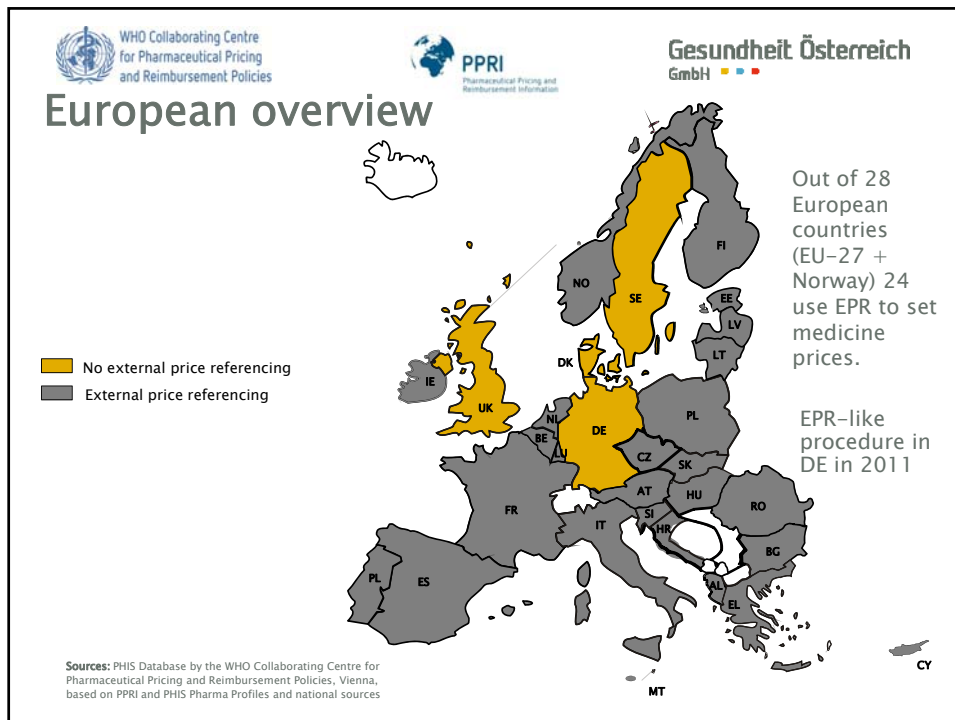
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Credits go to:

- The supervisors: Prof. Leufkens, Dr. Mantel-Teeuwisse, Prof. Laing, Dr. Vogler, Dr. de Joncheere
- The members of the PPRI network

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Common methodology but different characteristics


- » National legal framework
- » Scope of EPR
- » Composition of the country basket
- » Calculation method of the reference price
- » Changes in the methodology over time

National legal framework


- » Most countries base EPR on statutory regulations or legislated pricing rules (some very detailed other leave room for interpretation)
- » Detailed rules:
Example: Portugal regulates EPR in Decree-Law Nr. 65/2007, 14th March -> expected changes by the end of Sep 2011
- » General rules:
Example: Ireland regulates EPR in form of agreements between the Irish Pharmaceutical Healthcare Association (IPHA) and the Association of Pharmaceutical Manufacturers of Ireland (APMI)
- » Experiences from PPRI network members show that formal rules cannot always be applied due to missing data

Scope of EPR


- » EPR is mainly used for reimbursable on-patented medicines (some countries e.g. CZ use it for all medicines)
- » In some countries EPR is the main price setting procedure (e.g. AT, CZ, SK) in other countries EPR is just used as additional information (e.g. Italy, Portugal)
- » In many countries EPR is only the basis for further price negotiations



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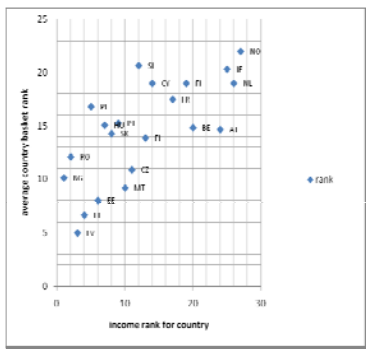
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Composition of the country basket

- » European countries choose other European countries with similar economic comparability and/or geographic proximity (some countries define alternative countries in case a product is not on the market)
- » There is a relationship between GDP/per capita rank and the average rank of the reference countries in the basket
- » Most common methodology:
 <10 countries in the basket
 Max. countries: Slovakia (n=26)
 Min. countries: Luxembourg (n=1)
- » Most frequently referenced to:
 Germany (n=13), Spain (n=13)
 France (n=11) and United Kingdom (n=11)






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Composition of the country basket

C.o	Countries in the baskets																				Additional c.o	Nr. Of c.o								
	ATo	BEo	BGo	CYo	CZo	DEo	DKo	EEo	ELo	ESo	FRo	HUo	IEo	ITo	LTo	LVo	MTo	NLo	NOo	PLo			PTo	ROo	SEo	SLo	SKo	UKo		
ATo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		24o	
BEo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		24o	
BGo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	Russian	3o	
CYo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		4o	
CZo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		3o	
DEo																														
DKo																														
EEo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	c. of origin	4o		
ELo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		22o		
ESo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	Countries of Euro zone			
FRo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	15o	16o		
HUo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		4o		
IEo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	1 800, 0o	14o		
ITo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	Not spec	o		
LTo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		6o		
LVo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	c. of origin	1o		
LVo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		2o		
MTo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		12o		
NLo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		4o		
NOo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		3o		
PLo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		3o		
PTo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		4o		
ROo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		12o		
SEo																														
SLo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		3o		
SKo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		26o		
UKo																														
Reference frequency	11o	10o	3o	5o	10o	13o	7o	7o	11o	13o	8o	12o	10o	9o	11o	10o	6o	7o	3o	8o	1o	3o	10o	3o	3o	6o	8o	12o		

Calculation method of the reference price

- » Some countries define the methodology in detail (e.g. Norway) others are vague (e.g. France)
- » Most common methodology: average of the country basket
- » Level of comparison:
 - » most countries compare at ex-factory price level
 - » same (closest) pharmaceutical form, strength and package size
 - » price per unit (DDD was never considered)
 - » Volume was never taken into consideration
- » Exchange rates (e.g. Austria has specified to use the monthly exchange rate)
- » Sources of prices: most countries use public official price databases -> problem discounts/rebates are not considered
- » Update of prices: changes of prices in reference countries effect national prices (e.g. Norway strict publicly accessible timetable to check prices, Portugal once a year in April, other countries only case-by-case)

Calculation method of the reference price

Reference price calculation method	Countries
Average of all countries in the basket	AT, BE, CZ, IE, IT, MT, NL, PT
Average of the 3 lowest price countries in the basket	BG, EL, NO
Lowest price per basket	HU, LU, PL, RO
Average of the 4 lowest plus 3% to cover transport costs	CY
Checking of the price level and the range of the prices in EEA countries according to this ranking: NL, BE, BG, ES, IE, IS, UK, IT, AT, EL, CY, LV, LI, LU, MT, NO, PT, PL, FR, RO, SE, DE, DK, SI, SK, CZ, HU, EE	FI
Declared manufacturer price is compared with 95% of the average manufacturer prices in reference countries	LT
Third lowest price and not higher than the price in LT + EE	LV
95% of the average of the 3 countries	SI
Average of the six lowest countries in the basket	SK
Prices "similar" to those in the reference countries (DE, ES, IT, UK)	FR
Method not defined	EE, ES

DE, DK, SE, UK do not apply external price referencing

CZ: this methodology is only applicable for pricing; for reimbursement prices of all other EU Member States are checked and the lowest price per basket is taken.

SI: plans for 2011 to decrease to 85% for important medicines and 0.5% is added

SK: will change the price calculation methodology to the three lowest in autumn 2011

Parameter	Countries
Changes in the composition of the basket	AT (2005), CZ (2009), EE (2005), EL (2010), FR, IE (2006), IT (various times), PT (2007), SI (2005), SK (2009)
Changes in the price calculation method	BG (2010), CZ (2009), EL (2005, 2010), ES (2005, 2010), HU (2005), IE (2006), IT (various times), PT (2007), SK (2009)
Abolishment of EPR	DK (2005), SE (2002)
Plans to implement or review EPR in 2011	DE (for older medicines as additional information) IT (for generics) NL (change of reference countries) LV (change of reference countries) PT RO (change of price calculation method) SI (change of price calculation method) SK (change of price calculation method)

Limitations of EPR
<ul style="list-style-type: none"> » Complex methodology as national pricing systems need to be considered when comparing prices » Official list prices do not include rebates or discounts -> keeps the price artificially high » Time and labour consuming » If prices are not regularly updated prices changes in the reference countries are not reflected


Conclusions & food for thoughts

- » In Europe EPR is a dynamic and widely used pricing policy with many different characteristics
- » A tendency of changing the EPR methodology over time was noticed
- » In some countries more detailed legislation in terms of the revision of prices and by identifying alternative countries in case non-availability of a product would be recommended
- » Need for formal information sharing (e.g. congresses dedicated to pricing strategies and systems)

...but

- » Is Europe leading to a common European price level due to EPR?
- » How can discounts/rebates be considered in the EPR methodology?

Contact details



Thank you very much for your interest! Please contact me in case of further questions!

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