

## Pharmaceutical System in Finland

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### Finland



- Population: 5.4 million
- Gross Domestic Product (GDP) €180.3 billion (2010)
- Health expenditure (HE) €15.7 billion, 9.2% of GDP (2009)
- Pharmaceutical expenditure (outpatient) €2.2 billion, 14.8% of HE (2009)



## Health care system in Finland

- Health care services mainly funded by tax revenues. Municipalities responsible for organising health care for their residents
- Public services supplemented by private services. Costs of private services are reimbursed under the Health Insurance (HI) system. HI covers all permanent residents of Finland

## Medicines

- Hospital pharmacies and medicine dispensaries supply medicines for the inpatients
- Community pharmacies sell medicines to the public
- Costs of reimbursable pharmaceuticals (in outpatient care) are reimbursed under the Health Insurance system
- Pharmaceuticals Pricing Board (PPB) confirms medicinal product's reimbursement status and reasonable wholesale price for a fixed period, based on application

### Medicine sales and their reimbursement in 2010

	Million €	Change from 2009
<b>Total sales of pharmaceuticals</b>	<b>2,619</b>	<b>-0.4%</b>
Prescription medicines in outpatient care (retail price with VAT)	1,867	-1.3%
OTC medicines in outpatient care (retail price with VAT)	307	1.7%
Sales to hospitals (wholesale price)	444	2.3%
<b>Reimbursement of medicine costs</b>	<b>1,225</b>	<b>-1.6%</b>

### Refund categories (outpatient care)

<b>Basic Refund</b>	42% (co-payment 58%)
<b>Lower Special Refund</b>	72% (co-payment 28%)
<b>Higher Special Refund</b>	100% – co-payment €3 per medicine per purchase
<b>Additional Refund</b>	If the copayments of reimbursable drugs exceed the defined annual limit (€675 in 2011), all costs exceeding €1.50 per medicine per purchase will be reimbursed in full.

## Criteria for Basic Refund status

- **Therapeutic value**
- Can be restricted to specifically defined indications
  
- Basic Refund status is not confirmed if the product
  - 1) is used for a temporary disease or a disease with mild symptoms
  - 2) has minor therapeutic value
  - 3) is not used for a treatment of a disease or
  - 4) it is a herbal, homeopathic or an anthroposophic product

## Special Refunds

- Lower Special Refund (72%)
  - severe and chronic diseases (10) where medicinal product is necessary and indispensable
  - e.g. hypertension and asthma
- Higher Special Refund (100%, €3)
  - severe and chronic diseases (34) where medicinal product is necessary and indispensable and has either replacement or curative effect
  - e.g. diabetes, cancers
- Diseases listed in Government Decree

### Criteria for Special Refund status

- type of disease
- necessity of the medicinal product
- cost-effectiveness
- proven therapeutic value
- funds available for special reimbursements
- can be restricted to a specific form or degree of severity of a disease
  
- To receive reimbursement under the Special Refund Categories a patient needs a certificate from his/her doctor.

### Medicine pricing

- Free pricing for non-reimbursable pharmaceuticals
- Statutory pricing for reimbursable pharmaceuticals at **wholesale** price level
- No wholesale mark up scheme
- Regressive pharmacy mark up scheme for all pharmaceuticals
- VAT rate of 9% on pharmaceuticals (standard rate 23%)

## Pharmacist's margins

Wholesale price (PPP)	Retail price
0–9,25€	1,5 x PPP + 0,50€
9,26–46,25€	1,4 x PPP + 1,43€
46,26–100,91€	1,3 x PPP + 6,05€
100,92–420,47€	1,2 x PPP + 16,15€
above 420,47€	1,125 x PPP + 47,68€

## Confirmation of wholesale price

- Treatment costs and benefits to be gained compared to other available treatment alternatives (health economic evaluation)
  - direct health care costs and comparable social welfare costs
- Prices of comparable medicinal products in Finland
- Price of the product in other EEA countries
- Manufacture, research and product development costs of the product and
- Funds available for reimbursements
- Applications of products containing new active substance must include a health economic evaluation.

## Reference Price System (RPS) since 1<sup>st</sup> April 2009

<b>Coverage</b>	Substitutable medicinal products, reimbursable (Generic Substitution since 1 <sup>st</sup> April 2003)
<b>Reference price group</b>	Same active substance, quantity and pharmaceutical form, closely corresponding package size, at least one generic product available
<b>Reference price</b>	Cheapest + 1,5/2€
<b>Update</b>	Every 3 months

(1) 1st April 2009 also pharmaceuticals covered by analogous process patent became substitutable

## Experiences

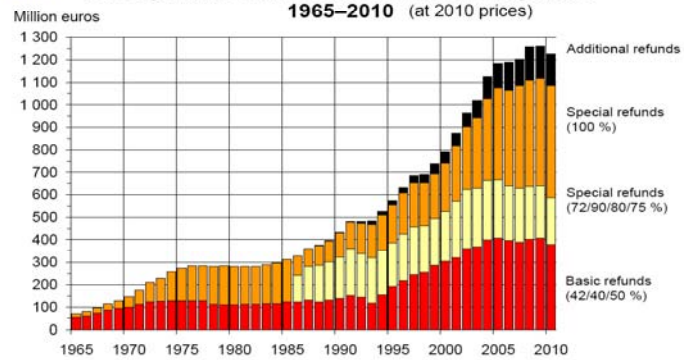
- Total savings €110 million during the first 12 months (HI €76 million, patients €34 million). Savings about 8% of reimbursement costs.
- 90% of the saving attributable to products holding analogous process patent.
- In September 2011, 52% of reimbursable medicinal product packages include in RPS

### Generic substitution and Reference Price system in 2010

	All reimbursed medicines	Substitutable products
Prescriptions (million)	39.8	27.9
Total cost (€ million)	1,701.8	844.5
Reimbursement payments (€ million)	1,081.7	501.7
Prescriptions which generated substitution		15.8%
Prescriptions which did not generate substitution because the physician had prescribed the cheapest, or close to the		75.8%
the patient forbade substitution		7.2%
the physician forbade substitution		0.2%
another reason for non-substitution (1)		0.3%
Savings generated through substitution (€ million)		91.4
Savings per an exchange (€)		20.77

(1) For example, the cheapest, or close to the cheapest, generic alternative was temporarily not available

### Kela<sup>®</sup> 3.8 Expenditure on refunds of medicine expenses 1965–2010 (at 2010 prices)



Source: The Social Insurance Institution of Finland (Kela)

Statistical Branch 7.4.2011



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Thank you!