

South Korea

Recent and planned developments in pharmaceutical policies 2017

Special topic: hospital medicines

CHANGES IN PRICING

No changes in pricing



CHANGES IN REIMBURSEMENT

- **Benefit enhancement plan for four major diseases (cancer, cardiovascular diseases, cerebrovascular diseases and rare diseases)**
 - Among the top 50 diseases of which annual medical costs under the National Health Insurance in 2011 were 3,900 EUR or higher, four majors accounted for 61% of the total number.
 - **Introducing conditional coverage:** phasing in the coverage of diseases with high demand for treatment by the society, increasing co-payment (50-80%)
 - Great achievements made such as **45 drugs newly listed** in the NHI benefit list from 2013 to 2016 and **coverage expansion for 128 drugs**
- **Change from “Benefit enhancement plan for four major diseases” to “Moon’s care”* in 2017**
 - Covering four major diseases -> covering all diseases

OTHERS CHANGES

- Expanding Pay-for-performance program to encourage the appropriate use of antibiotics (to be initiated in 2018)
 - Incentives: Increasing incentive provision rate from 1% to 5% (for clinics which achieve their goal of prescription rate of antibiotics for acute upper respiratory tract infection or reduce the aforementioned rate)
 - Disincentives: Increasing disincentive provision rate from 1% to 5% (for clinics of which prescription rate of antibiotics for acute upper respiratory tract infection is 70% or over)

SPECIAL TOPIC: HOSPITAL MEDICINES

Basically, medicines in the in-patient and outpatient sectors are managed in the same manner.

- **In-patient pharmaceutical expenditure:** Compared to the total pharmaceutical expenditure claimed in 2016 under the NHI which is 11.9 billion EUR (100%), in-patient pharmaceutical expenditure accounts for 3.6 billion EUR (30% of the total number).
- **Purchasing policies: tendering, private contract** - Purchasing pharmaceuticals by “hospitals” in Korea is normally conducted by a private contract between hospitals and wholesalers or a competitive tender put out by the hospitals. Some pharmaceuticals are directly supplied by pharmaceutical companies.
- **Procurement: by hospital** – Procurement is conducted by a contracting wholesaler or a pharmaceutical company.
- **Hospital prices: (open) list prices, (not open) procured prices, negotiated prices** – All list prices of the NHI drug benefit list are open to the public. Although prices of some drugs uncovered are open to the public but majority of the uncovered drug prices are not open.
- **Reimbursement process:** Hospitals can request the reimbursement of the pharmaceutical costs in the NHI drug benefit list to HIRA**. When the hospitals claim the pharmaceutical price to HIRA, they can claim actual transaction price to HIRA (the list prices are the maximum numbers that can be reimbursed by HIRA so prices exceeding those numbers are not reimbursed by HIRA). At the same time, the hospitals have to claim the pharmaceutical price with co-payment (20% of the covered medical fees) deducted.
- **HTA:** In order for pharmaceuticals to be listed in the NHI drug benefit list, pharmaceutical companies must apply for listing the pharmaceuticals to HIRA. If the pharmaceutical companies apply for listing pharmaceutical price higher than the existing pharmaceutical price in the NHI drug benefit list, then they have to submit an economic evaluation report to HIRA. Clinical effectiveness and cost-effectiveness are a standard for listing decision. If the pharmaceutical companies apply for listing orphan drugs or with lower price than the existing pharmaceuticals in the NHI drug benefit list, then they can be exempt from the submission of the economic evaluation report.
- **Interface management between in-patient and out-patient sector:** No system of exchanging information on prescriptions between in-patient and out-patient sector.
- **Main challenges:** As expensive immune checkpoint inhibitors such as Opdivo and Keytruda and biopharmaceuticals have been listed in the drug benefit list, which resulted in increasing pharmaceutical spending, this rise has posed a risk to healthcare finance.

*Moon's care: President, Moon, Jae-In's healthcare plan to drastically expand the national health insurance coverage.

** HIRA: Health insurance review and assessment service, NHIS: National health insurance service

