Community Drug Expenditure and Recent Cost Containment Measures

Abstract:
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The annual cost of medicines under the community drugs schemes increased from €564m in 2000 to €1,961m in 2009 before falling an estimated 8% by 2011. Escalating public health costs, fiscal stress and the unsustainability of the previous growth in expenditure has led to the increased use of pharmaceutical cost containment measures in Ireland. Commercial pressures have led to reduced public expenditure on community drugs by 38m in 2011 and involve addressing: 1) the ex-factory price of drugs including price cuts of up to 40% on off-patent and generic drugs leading to an estimated 200m saving (53%); 2) pharmacy dispensing fees and mark-ups via a new dispensing fee structure and reducing both wholesale and retail mark-ups with a 100m saving (26%); and 3) scheme coverage and patient co-payments including restricting scheme coverage for over 70 years and increasing the level of co-payments with savings of 8m (21%).

Introduction
Pharmaceutical spending in the European Union exceeded 180 billion in 2008 and accounted, on average, for around 17% of EU countries’ total spend on health. The scale and growth of these costs has been of concern to some national health systems (Council of the European Union 2006) and have compelled rapid policy change in many countries including Ireland. Public health spending in Ireland in more than doubled between 2000 and 2008, peaking at €15.186bn. During this period Ireland had the third fastest growth rate (7.6% p.a.) in per capita real health spending of all OECD countries. In 2009, Ireland spent €3,781 per capita on health, more than the OECD average of €3,223, both adjusted for purchasing power parity. The Irish economy has contracted sharply since 2008. Deep recession, historic fiscal deficits and mounting public debt have weakened public health obligations; or 3) improve health system conversion of resources into value. While recent Irish policy-making has applied all three remedies its focus has been on the third, containing costs and limiting disruption of all OECD countries. In 2009, Ireland spent $3,781 per capita on health, more than the OECD average of $3,223, both adjusted for purchasing power parity. It also identifies the main measures recently adopted to contain public sector pharmaceutical costs in Ireland and provide estimates of full year savings for 2011. Other than these, the main policies recently adopted are examined under three headings:

The GMS scheme, the largest community drugs scheme covers 1.7m people who are unable to pay for medical services, including prescribed drugs, without undue hardship. More than 78,000 additional persons (5%) were covered by this scheme in 2011 and an additional 1.2m prescriptions (7%) were reimbursed including prescribed drugs, “without undue hardship”. More than 78,000 additional persons (5%) were covered by the GMS scheme in 2011 and an additional 1.2m prescriptions (7%) were reimbursed. This marks the first time that the High Tech Drugs scheme.

Results
In 2010, the HSE spent 3.2bn (23% of its total expenditure) on primary care and medical card schemes. Over 64% (2bn) of this was expenditure on or related to expenditure on medicines. The number of items dispensed under the PCRS fell by 14% to €2.5bn over the same 2 year period. The number of items dispensed under the PCRS fell by 14% to €2.5bn over the same 2 year period. Table 1 summarises the key data for the community drugs schemes in Ireland. The main provisions adopted to contain pharmaceutical costs in Ireland and provide estimates of full year savings for 2011. The main policies recently adopted are examined under three headings:

Methods
This paper examines recent expenditure trends on the PCRS focusing on pharmaceutical services and the cost of medicines, with particular reference to the General Medical Services (GMS also know as the medical card) scheme. It identifies the costs that are recently adopted to contain public sector pharmaceutical costs in Ireland and provide estimates of full year savings for 2011. The main policies recently adopted are examined under three headings:

The ex-factory price of drugs
A 2006 agreement between the HSE and the Irish Pharmaceutical Healthcare Association on pricing and supply of medicines is estimated to have delivered total savings of 250m by September 2010. The HSE references and links the price of new medicines in Ireland to nine EU member states. The agreement also included a 35% two phase price reduction for all off-patent medicines with a generic equivalent i.e. 20% reduction in March 2007 followed by a further 15% price reduction in January 2009. There was a further 40% price reduction in February 2010 resulting in a final price of 39% of the original price. The agreement also included a 35% two phase price reduction for all off-patent medicines with a generic equivalent i.e. 20% reduction in March 2007 followed by a further 15% price reduction in January 2009. This agreement has been extended to 2012 and applies to all medicines granted marketing authorisation by the Irish Medicines Board or European Commission which can be prescribed and reimbursed under the community drugs schemes. The agreement also includes all medicines supplied to the HSE including state funded hospitals/agencies. The expiry of this agreement further full year savings of 20m off the price of certain post patent medicines has been agreed. The 0.00 medicines since the beginning of 2011 are intended to ensure that the HSE no longer pays a premium price for patent-expired medicines.

Pharmacy dispensing fees and mark-ups
The Report of the Independent Body on Pharmacy Contract Pricing resulted in a restructuring of the GMS pharmacy dispensing fees. In 2009, the new GMS fee-per-item is stepped; the fee-per-item pharmacies receive falls as the number of items dispensed exceeds given thresholds. The HSE reduced both the DPS (Drugs Payments Scheme) pharmacy retail mark-up on medical ingredients from 52% to 20% and the wholesale factory-to-pharmacy mark-up from 17.66% to 10% in July 2009. The mark-up was reduced to 8% in March 2011 along with a 50% reduction in the patient care fee under the High Tech Drugs scheme.

Scheme coverage and patient co-payments
The Minister restricted GMS coverage for high-income persons over 70 in January 2009 and increased the DPS patient co-payment from 100 to 120 in July 2009 and further 12 increase announced for 2012. A 0.50 charge per GMS item was also introduced in October 2010. These measures effectively enhanced fiscal sustainability and are estimated to have reduced the annual cost of pharmaceuticals under the PCRS by 38m in 2011. Table 1 summarises these details:

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The PRCS expenditure...
In Ireland, particular concerns over sustainability have arisen with regard to public expenditure on the PCRS.

One measure proposed is to implement a generic substitution system, which allows pharmacists to substitute interchangeable medicines providing the patient with a choice within the group of medicines. Other measures proposed, but not yet fully adopted, include reductions in the price of patent protected drugs, with the State shall only reimburse the value of the lowest priced medicine in the group. Generic substitution allows for a group of interchangeable medicines (e.g. generic equivalents) and setting a maximum reimbursement price for the group.

Increased expert feedback to general practitioners (GPs) on quality prescribing is also being proposed. Particular drug initiatives in relation to over prescribing to identify at GP and cost-effectiveness analysis. Increased expert feedback to general practitioners (GPs) on quality prescribing indicators is also being proposed. Particular drug initiatives in relation to over prescribing to identify at GP and cost-effectiveness analysis.

Other measures proposed, but not yet fully adopted, include reductions in the price of patent protected drugs, setting a maximum reimbursement price for the group and generic substitution combined with reference pricing. Some, such as positive lists, prescribing budgets and reference pricing, were effective in some countries but only in the short-term. A consensus policy strategy that ensures fiscal sustainability of Irish health expenditure. Oct 2010. Available from: http://www.dohc.ie/press/releases/2012/20120618.html. {Accessed July 31, 2012].

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