



WHO Collaborating Centre  
for Pharmaceutical Pricing  
and Reimbursement Policies



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Pharmaceutical Pricing and  
Reimbursement Information

Gesundheit Österreich  
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# Pharmacy Reimbursement I – Overview European Systems

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## Agenda

Introduction / Background information

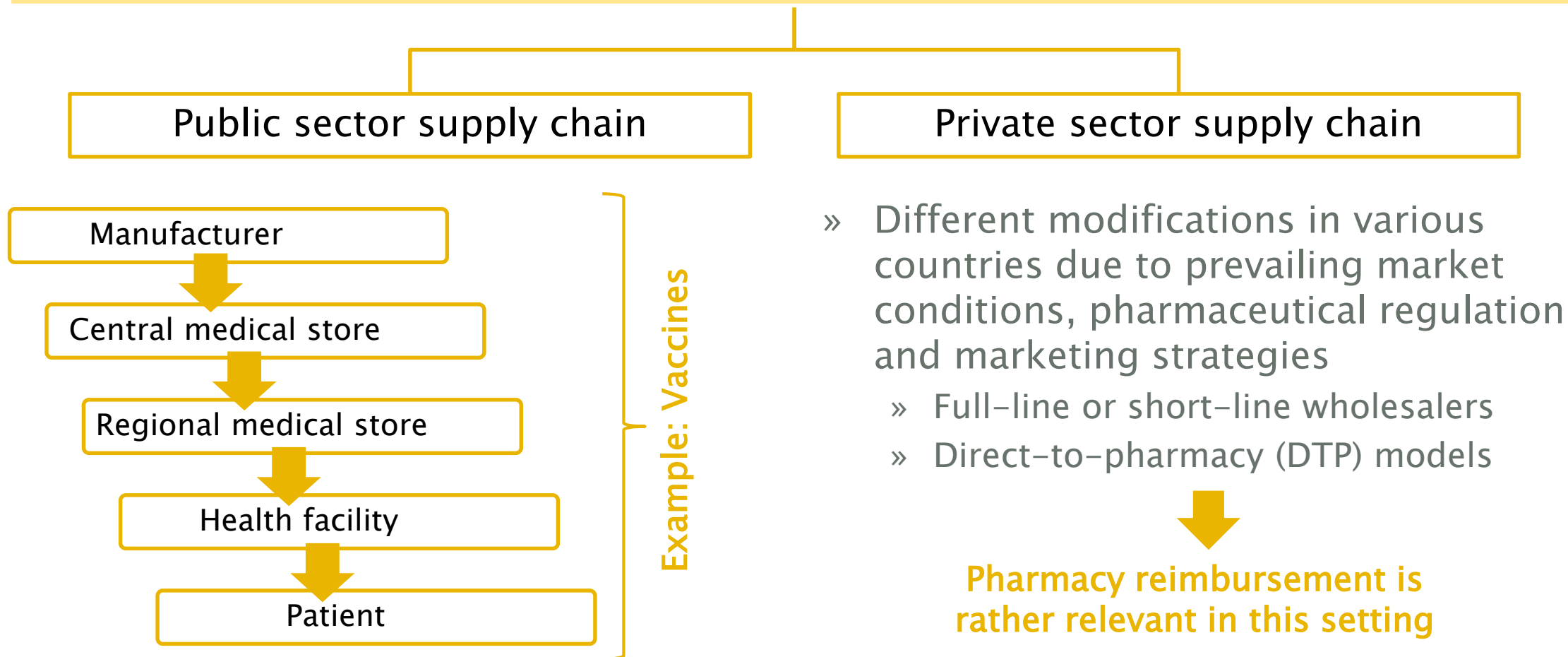
Typology of pharmacy remuneration

Pharmacy remuneration

Discussion / Conclusion

## Introduction / Background Information

### Organisation of the pharmaceutical supply chain



## Introduction / Background information

» There are different price types to express medicine prices in the private sector supply chain

» WHO/HAI taxonomy

» **MWPP** Taxonomy

» Ex-factory price (manufacturer price, ex-manufacturer price, manufacturer's selling price)

» Wholesale price (synonyms: pharmacy purchase price, pharmacy purchasing price):

» Net pharmacy retail price (synonyms: consumer price, public price):

» Pharmacy retail price (and synonyms) gross:

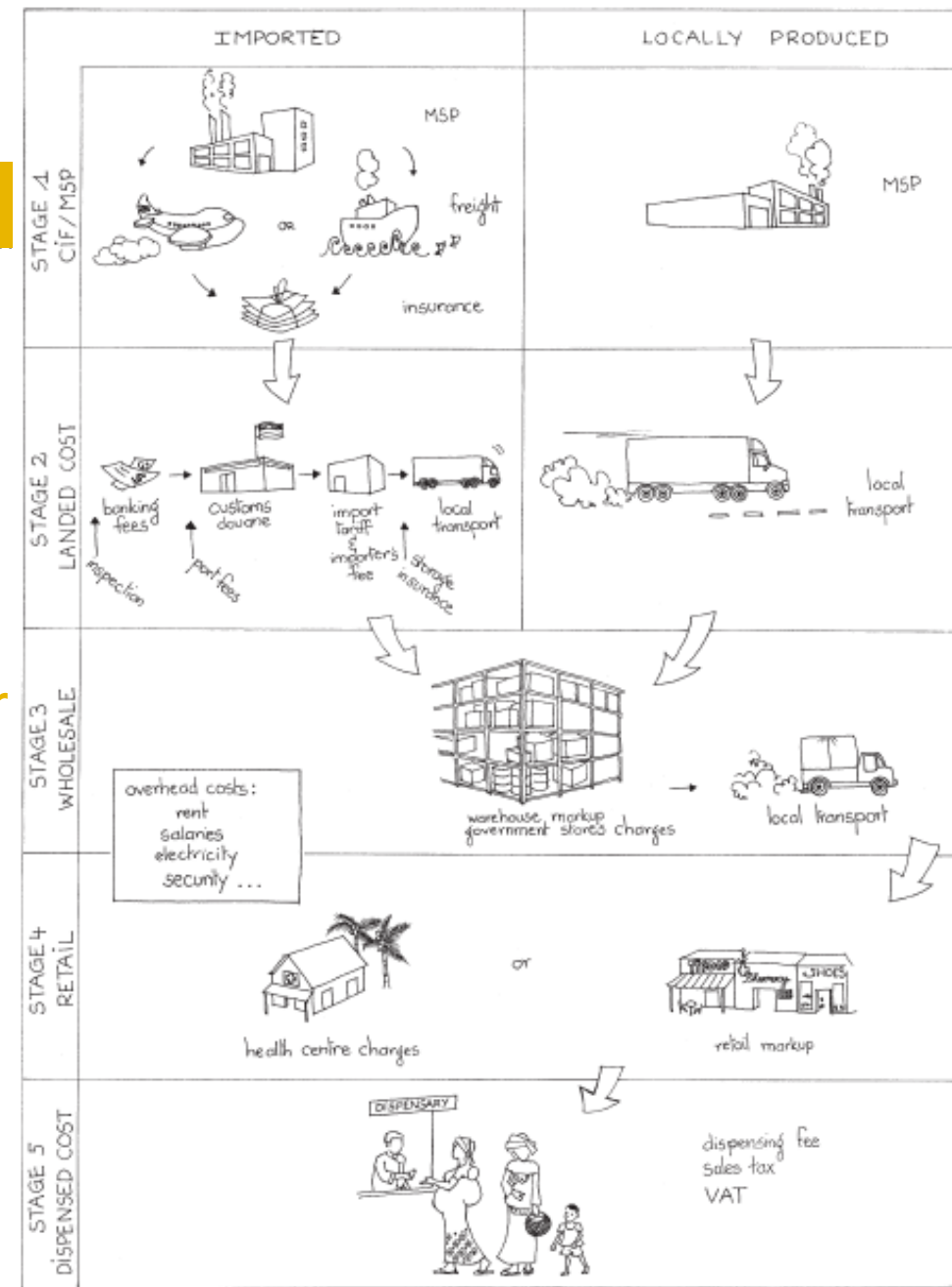
Actors involved

manufacturer

wholesaler

pharmacist

patient



## Introduction / Background information

- » Distribution and supply of medicines have direct impact on the quality of the health care system
- » At each stage of the pharmaceutical distribution costs related to the chain management and further services emerge.
- » **Rationale for regulation** → distribution remuneration constitutes an important price component which affects the affordability of medicines
- » In a regulated environment, pharmaceutical distribution has to strike the balance between appropriate compensation for costs, while ensuring sustainability of public funding
  - » Regulation of pharmaceutical distribution could incentivise certain behaviour of actors
- » In an unregulated environment – where private entities decide on the size of mark-ups – the size of mark-ups may be determined by different considerations than the sustainability of public funding
  - » Non-regulation of pharmaceutical distribution could incentivise certain behaviour of actors

## Typology of pharmacy remuneration

- » Classification of pharmacy remuneration (based on Ball 2011)

### Regulation of pharmacy remuneration

Product-oriented approaches

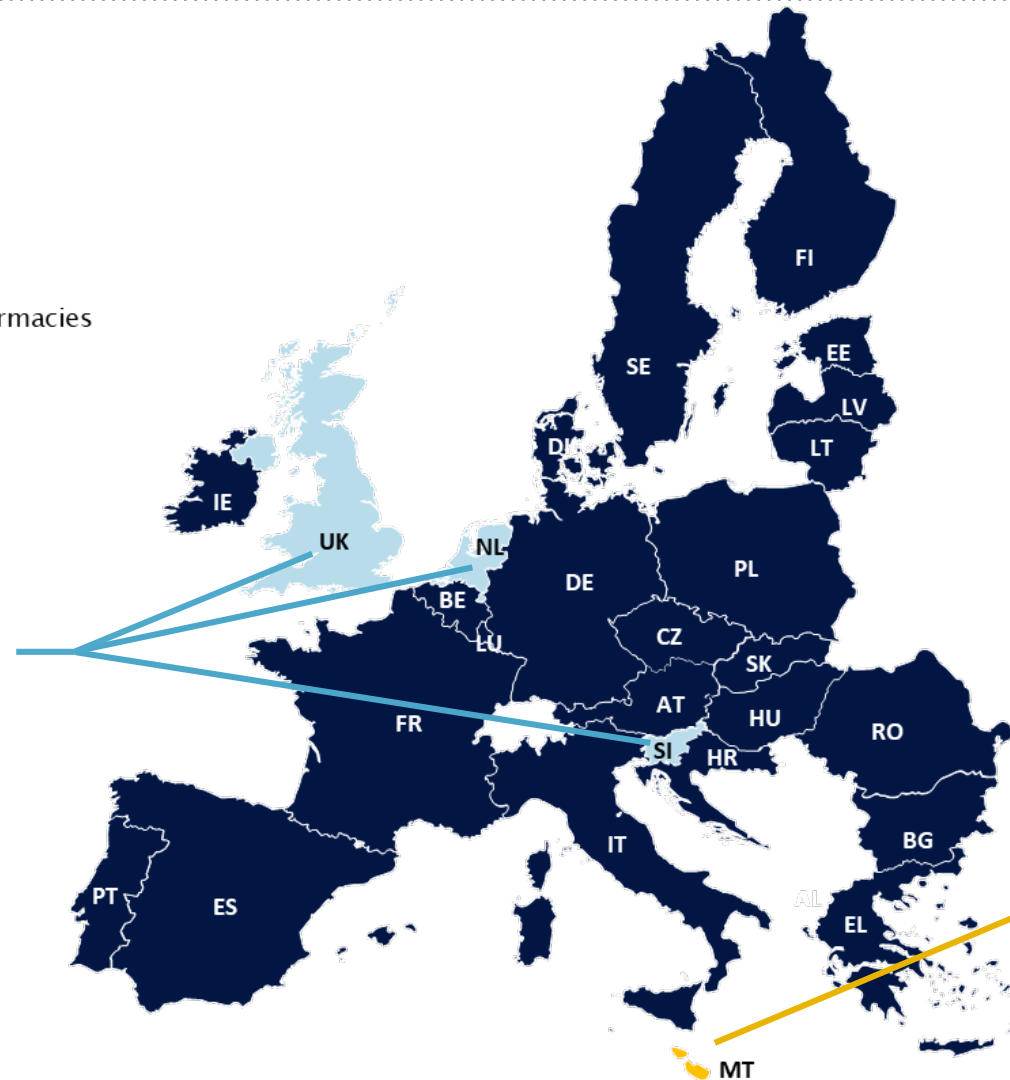
Patient-oriented approaches

- » Classification of pharmacy remuneration with regard to their basis
  - » Service-based remuneration → remuneration of a service provider depends on the kind of service which is delivered (“fee-for-service“)
  - » Price-based remuneration → remuneration depends on the price of the medicine (“mark-ups“ or “margins“)
- » Mark-ups and margins are often used as synonyms, but they are not
  - »  $Mark - up = \frac{(Net\ Retail\ Price - Wholesale\ Price)}{Wholesale\ Price}$
  - »  $Margin = \frac{(Net\ Retail\ Price - Wholesale\ price)}{Net\ Retail\ Price}$

## Pharmacy remuneration | Type of regulation

- Statutory regulated
- Contract between pharmacies and public payers
- Not relevant

In those countries national pharmacists associations negotiate contracts with public payers on the remuneration of pharmacy services

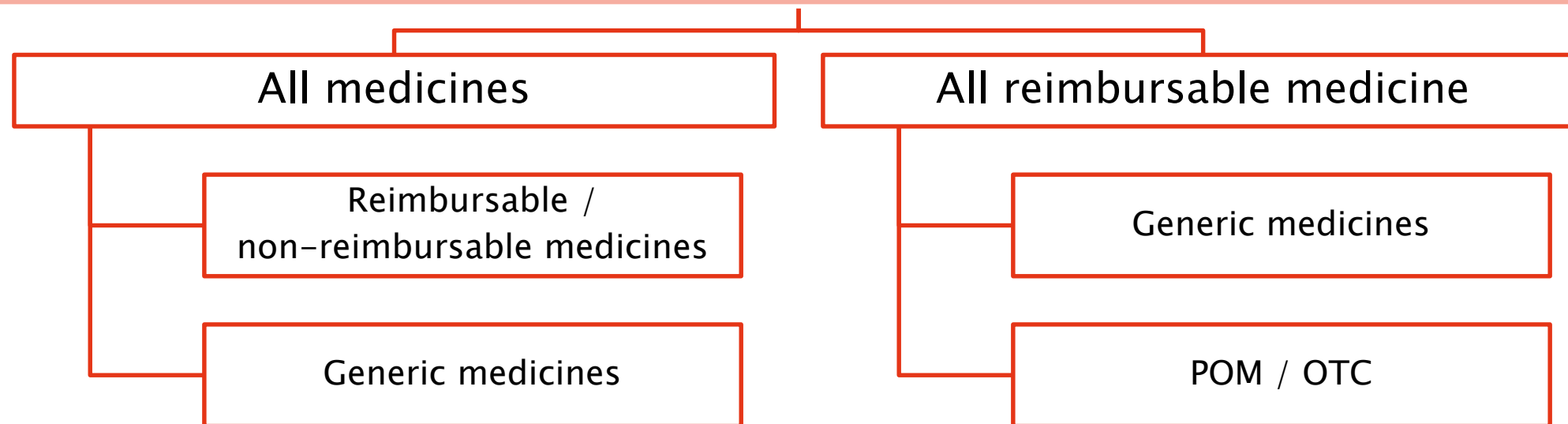


In Cyprus and Malta pharmacies in which publicly funded medicines are mainly dispensed, belong to the public sector.







## Pharmacy remuneration – Scope of medicine

### Regulation of pharmacy remuneration

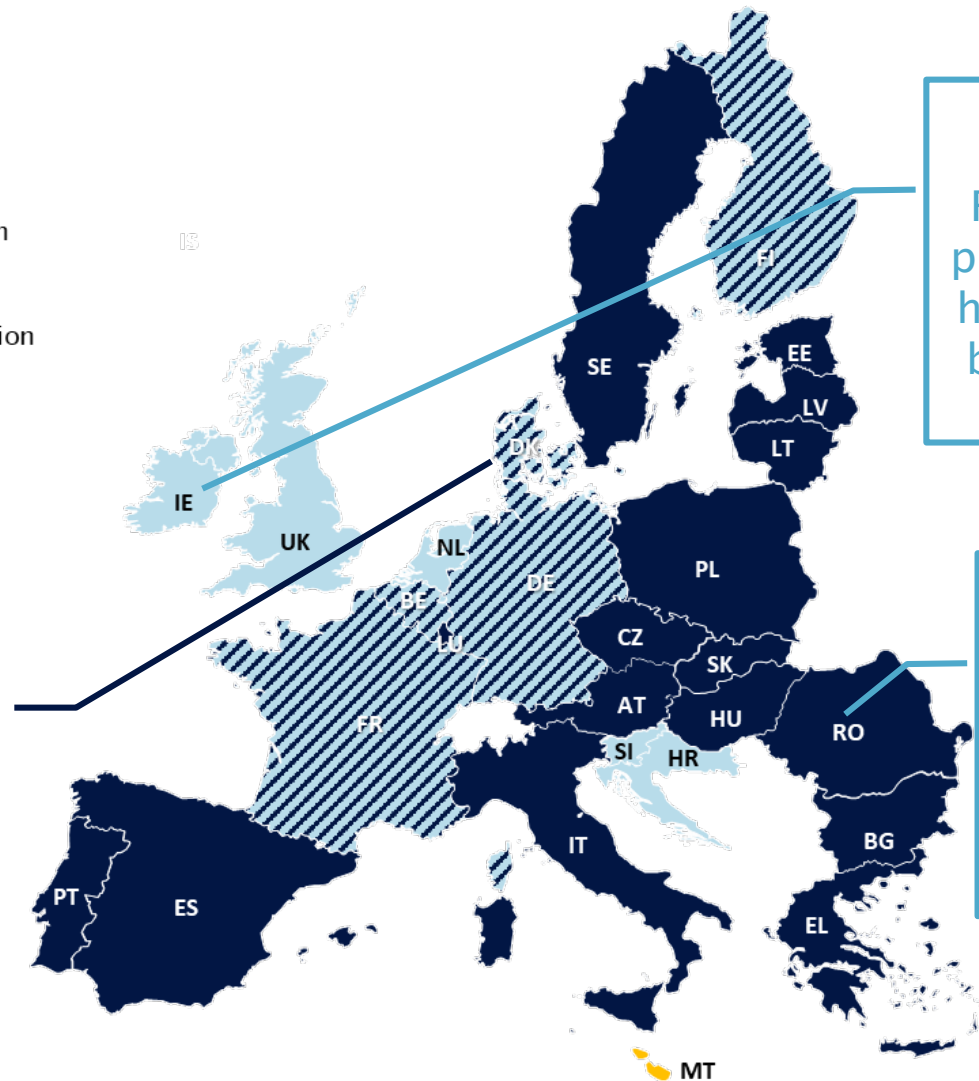


- » Two interesting cases to display the variety of regulation within the EU
  - » Netherlands: As of 2012, pharmacy is more liberalised and is negotiated by pharmacies and health insurers, with pharmacies typically organising into groups to maximise their negotiating power with insurers
  - » Luxembourg: pharmaceutical prices on all price types are used from the country of origin

# Pharmacy remuneration | Type of remuneration

-  Price-based remuneration
-  Service-based remuneration
-  Combination of both
-  Not relevant

Example for combination:  
Pharmacy Purchasing Price  
+ 8.4% pharmacy mark-up  
+ 6.46 DKK fixed fee  
= (Net) Pharmacy Retail Price  
+ 25% VAT  
+ 10.00 DKK dispensing fee  
= (Gros) Pharmacy Retail Price

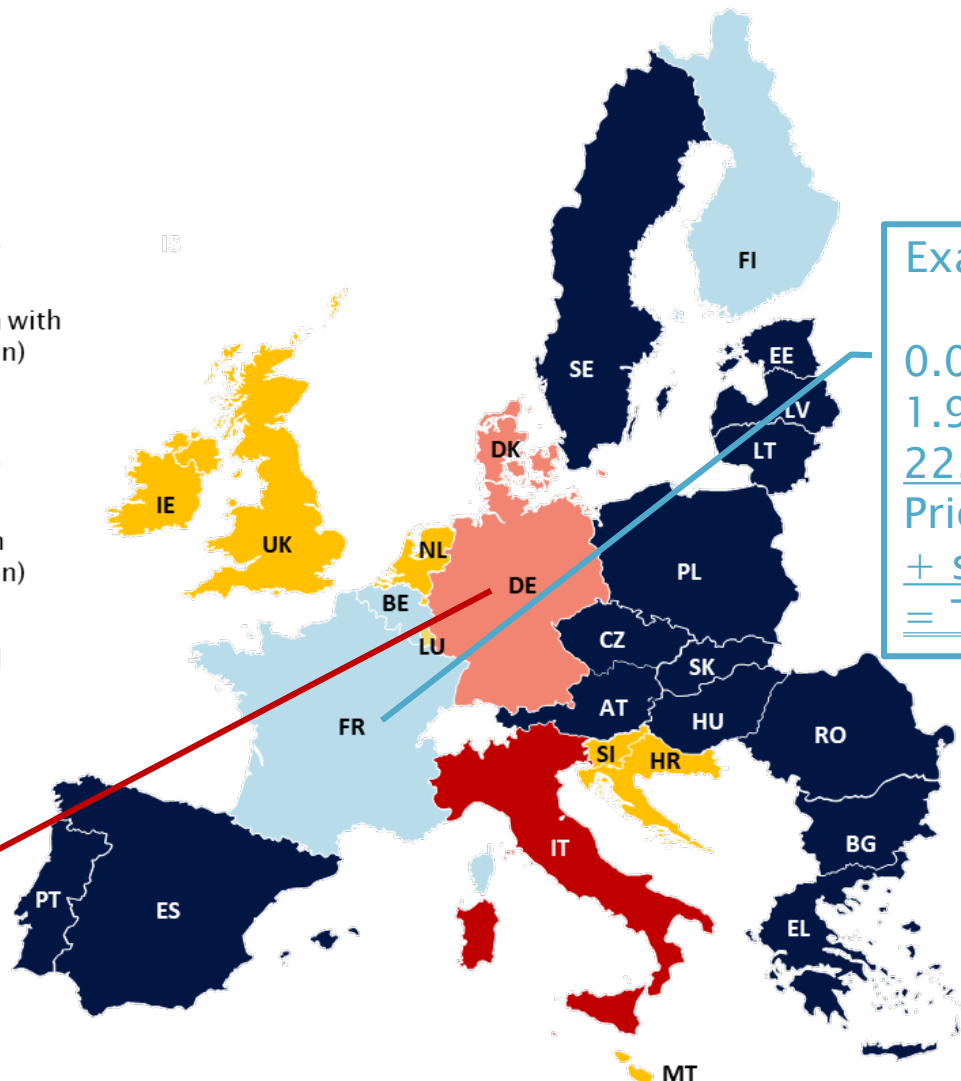


Example for service-based:  
For reimbursed products no  
pharmacy markup exists (0%),  
however a dispensing fee will  
be applied by the pharmacy.

Example for price-based:  
RON 0,00 – 25,00 → 24%  
RON 25,01 – 50,00 → 20%  
RON 50,01 – 100,00 → 16%  
RON 100,01 – 300,00 → 12%  
> RON 300,00 → 35%

# Pharmacy remuneration | Design of remuneration

- Regressive (exclusively price-based remuneration)
- Regressive (in combination with service-based remuneration)
- Linear (exclusively price-based remuneration)
- Linear (in combination with service-based remuneration)
- Not relevant / Other model



Example regressive price-based + service-based remun.: 100 €

0.00 - 1.91 = 10% → € 0.19

1.92 - 22.90 = 21.4% → € 4.49

22.91 - 150.00 = 8.5% → € 6.55

Price-based remun.: € 11.23

+ service-based remun: € 0.82

= Total remuneration: €12.05

Example linear price-based + service-based remun.: 100 €

0.00 - ... = 3% → € 3.00

Price-based remun.: € 3.00

+ service-based remun: € 8.51

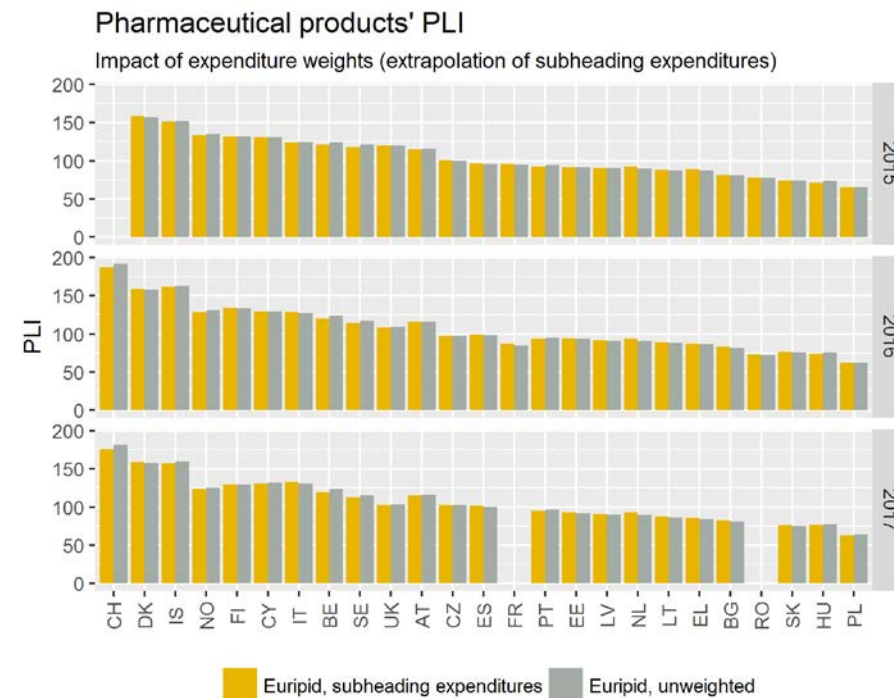
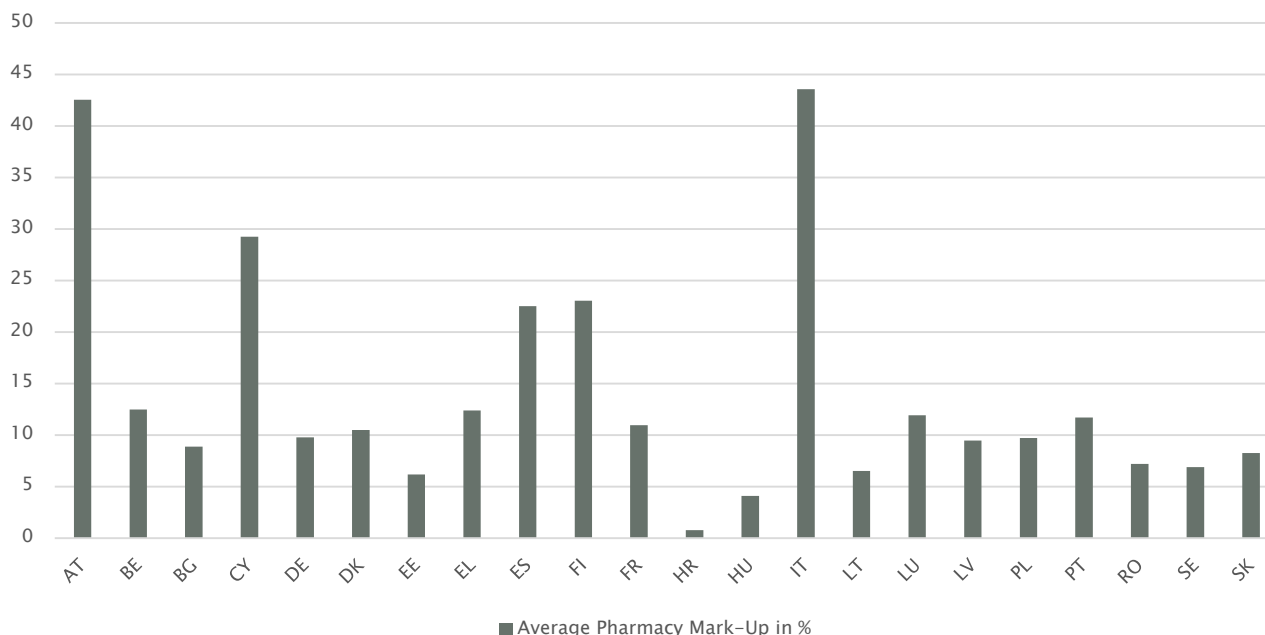
= Total remuneration: €11.51

## Discussion / Conclusion

- » The majority of EU member states have – in one way or the other – regulated distribution remuneration at the pharmacy level
- » There are different remuneration schemes for reimbursable and non-reimbursable medicines
- » Regressive schemes – either of price-based schemes alone or in combination with service-based schemes – are very common
- » Service-based remuneration highlights the role of pharmacists in delivering health services, but comparing services is even more difficult than comparing prices
- » Elements which can determine the regulation of pharmacy remuneration
  - » Organisation of the Pharmacy market
  - » Tasks and services of pharmacy
  - » Budget impact and affordability

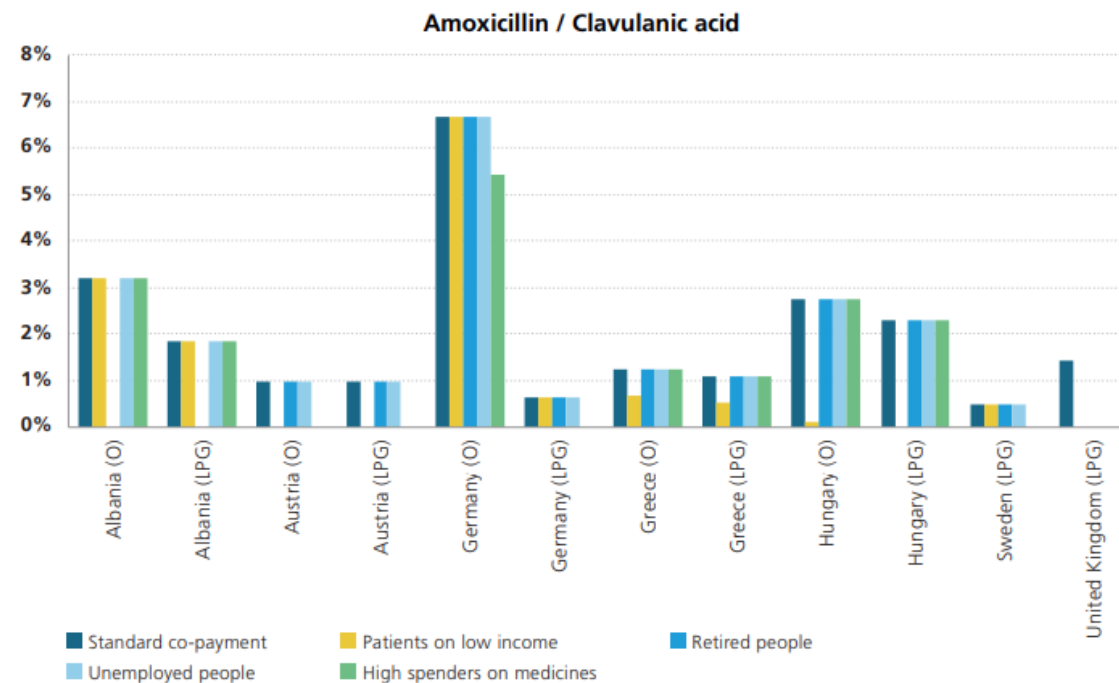
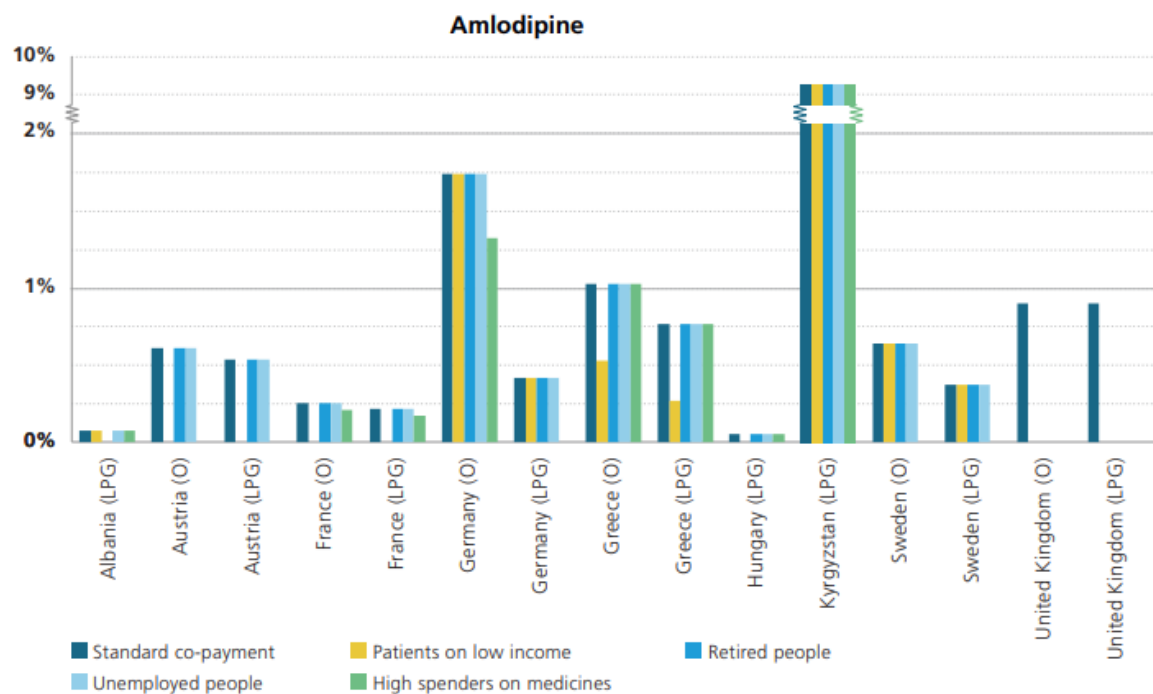
## Discussion / Conclusion

- » Implications of different remuneration system → It is difficult to compare pharmacy retail prices
  - » What constitutes the retail price? Out-of-pocket payments (OOP)
  - » Study on the calculation of Purchasing Power Parities (PPPs) for pharmaceutical products



## Discussion / Conclusion

- » Implications of pharmaceutical remuneration → It has a major impact of retail prices and regulation of pharmacy remuneration can contribute to keep prices affordable
  - » Interplay with further pharmaceutical policies



## Discussion / Conclusion

- » Pharmacy remuneration is one instrument of medicine price regulation
  - » It can contribute to lower / higher retail price levels
  - » It can be used by policy-makers to create incentives (e.g. dispensing of generics)
  - » It may also have unintended effects
  
- » Decision on the scope and design of the pharmacy remuneration is strongly linked to the role of the pharmacists in the health care system
  - » Pharmacists as “pill sellers” OR
  - » Pharmacists as health professionals integrated in the health service delivery system (pharmaceutical care – current and future task of pharmacists?)
  
- » Thus, pharmacy remuneration regulation is not only an issue of cost-containment / financial sustainability considerations but also of health services and their quality.

## Literature / References

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