

Implications of Economic Crisis on Health Care and Cost -containment Measures for Pharmaceuticals, Medical Devices and Treatment

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Country Information



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Country Information

16th largest Economy of the World

12nd largest Pharma Market of the World

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Country Information

98% Health insurance coverage

\$ 652 HC expenditure per capita

6,5% HC expenditure /GDP

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Country Information

\$ 147 pharma expenditure per capita

1,37% public pharma expenditure /GDP

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**Health Transition Project
(2004 – today)**

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Major Headings of Health Care Reform

- ❑ Grouping of the public hospitals under the MoH (2004)
- ❑ Access of the population to all health care facilities and pharmacies (2005)
- ❑ Performance payment system for HC providers (2005)
- ❑ Family Physician System (2005)
- ❑ Establishment of General Health Insurance Scheme (2006)
- ❑ Equity in access to health care
- ❑ Generalizing the service procurement from private providers (2007)



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Increased HC Expenditures & Global Economic Crisis



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The reason for increased Healthcare Expenditures

- ❑ The leading cause is increasing access of patients to physicians and hospitals. The frequency of physician calls in Turkey rose from 2.9 in 2002 to 7.6 in 2010.
- ❑ Expansion of the Health insurance umbrella (98%)
- ❑ Aging, improving wealth, life-styles and increasing patient awareness
- ❑ With Family Practice gaining wider coverage and the current performance-based system encouraging physicians to see more outpatients, the number of prescriptions rose by 25% since late 2010.



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Total HC Expenditure in Turkey vs. GDP

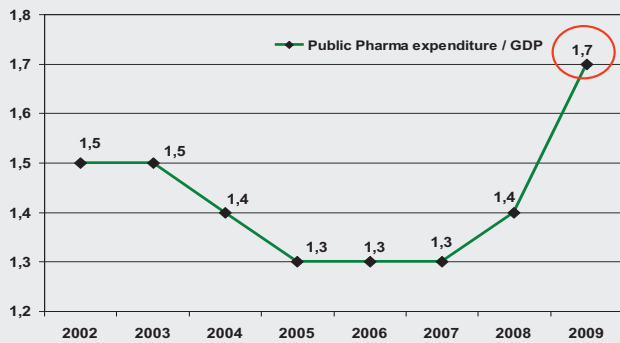


Source: Turkstat, EIU, OECD, interviews, BCG analysis



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Public pharma expenditure (% GDP)

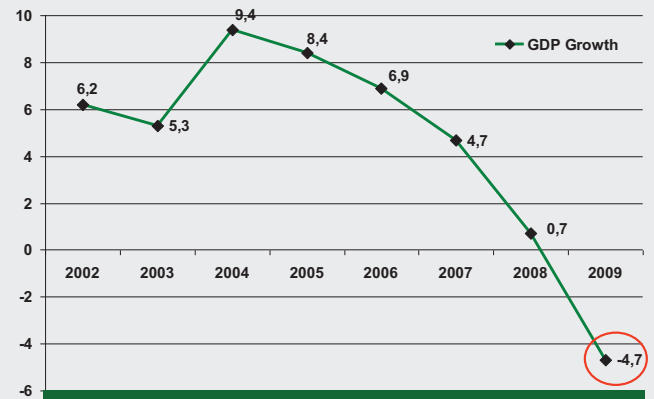


In 2009, the share of public pharma expenditure in GDP rose sharply



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GDP Growth by years (% change)



Turkish Economy has shown negative growth for the first time in seven years



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Cost Containment Measures for Pharmaceuticals

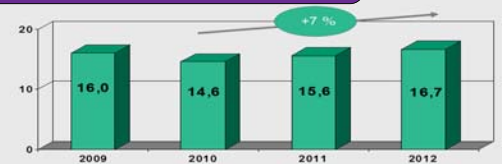


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First Wave / 2009



Global Budget was implemented



Government granted a 7% growth for the next 3 years according to 2008 realization



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Second Wave / 2009

2009

2010

2011

2012

Originals and their Generics 66% of Reference Price
+
12% Price cut for Original drugs without Generics

	Discount %	Reference Price %
Original w/o generic	23	100
Original with generic	11	66



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Third Wave / 2010

2009

2010

2011

2012

9,5% Across the board price cuts
Rx restrictions
Treatment rules

	Discount %	Reference Price %
Original w/o generic	32,5	100
Original with generic	20,5	66



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Fourth Wave / 2011

2009

2010

2011

2012

Negotiations in progress

Price cuts
Pay back
Reference price decrease

Expected total impact 1,8 billion TL



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Comparative Tabulation for Cost Containment Measures

Country	International Reference Pricing	Fixed Exchange Rate Scheme	Mandatory Discount on Reimbursement	Global Drug Budget	Internal Reference Pricing	Innovative Pricing Methods
France	✓ EU-4 Countries (DE, ES, IT, UK) *Reference updates every 5 years.	--	--	✓ Payback	✓ Based on equivalent groups	
Germany	--	--	✓ Originals => 6%	--	✓ Jumbo grouping	✓
Spain	✓ EU-14 Countries (AT, BE, DE, DK, FI, FR, GR, IE, IT, LU, NL, PT, SE, UK)	--	✓ Temporary Discount Originals => 4-7,5%	--	✓ Based on equivalent groups	
Italy	✓ EU-8 Countries (AT, BE, DE, ES, FR, GR, PT, UK)	--	--	✓ Rebate/ Payback	✓ Based on equivalent groups	
Greece	✓ EU-22 Countries (AT, BE, BG, CY, CZ, DE, ES, FI, FR, HU, IE, IT, LT, LU, LV, NL, PL, PT, RO, SI, SK, UK) * Reference updates twice yearly.	--	✓ Originals/generics => 3%	--	✓ Based on equivalent groups	✓
Portugal	✓ EU-4 Countries (ES, FR, GR, IT) * Reference updates once yearly.	--	--	✓ Rebate/ Payback	✓ Based on equivalent groups	
Turkey	✓ EU-5 Ülke (ES, FR, GR, IT, PT) + İthal + İthal Ülke * Ongoing reference updates.	✓ Fixed euro and the cross exchange rate is applied * the exchange rate have not been updated since February 2009	✓ Mandatory Discount Originals => 32,5% Original w/generic + generics ≥20.5%	✓	✓ Based on equivalent groups	✗

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Cost Containment Measures for Medical Supplies & Devices

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Measures for Medical Supplies & Devices

- A National Medical Supply and Device Database has been established.
- All types of medical supply and device should register to National Database
 - MoH checks the technical suitability, quality assurance etc.
- If a medical supply or device is not registered in the National Database;
 - SSI does not reimburse/pay,
 - Company can not place offers at public tenders

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National Medical Supplies & Devices Database

36.419 Companies
1.801.059 Medical Devices
6.589 Pharmaceuticals

As of October 2011

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Cost Containment Measures for Service Providers and Treatment

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Measures for Service Providers

- The Service Providers /Physicians Database has been established to register all types of providers (hospitals, pharmacies, labs, outpatient clinics etc.).
- All service providers / practicing physicians should be registered to the Database.
- SSI does not reimburse providers's bill if the service provider is not registered to the Database.
- SSI does not reimburse physician's prescription if the physician is not registered to Physician Database.

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Measures for Private Hospitals

- SSI pays to hospitals through its own price list.
- SSI has brought limitation for additional billing received by the private hospitals.
- Additional billing have been banned for some medical procedures (burn injury, cancer, neonatal, organ transplantation, dialysis cardiovascular surgery etc.)

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Measures for Treatment

- All citizens have a Family Physician (FP).
- If a patient prefers FP for consultation, does not pay for treatment.
- If a patient prefers public hospital for consultation, has to pay 8 TL (apprx. \$5) co-payment for treatment.
- If a patient prefers private /teaching/university hospital for consultation, has to pay 15 TL (apprx. \$10) co-payment for treatment.

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Impact of Cost Containment Measures on Market and Expenditures

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Impact of 2010 Crisis on Macro Economy

- ❑ Turkey took the measures such as Global Budget, price cuts and additional discounts against the impact of global economic crisis in 2009 and 2010.
- ❑ Other countries recently took these austerity measures against economic crisis.
- ❑ Turkey recovered sooner than expected the effects of the economic crisis.
- ❑ SSI premium collection performance has improved significantly, compared to pre-2010 levels.



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Impact of Cost Containment Measures on Pharma Market

- ❑ 2009 Price decree caused 25% downsizing of pharmaceutical industry, layoffs and postponement of several investments.
- ❑ After the 2010 price decree, Turkish drug prices are currently 30 to 50 percent lower than the lowest European prices.
- ❑ Due to the reference-pricing scheme, declining drug prices in some EU countries, e.g., Greece and Portugal, due to the economic crisis, are also impacting Turkey, and the prices, coupled with the high discount rates, are becoming unbearable.



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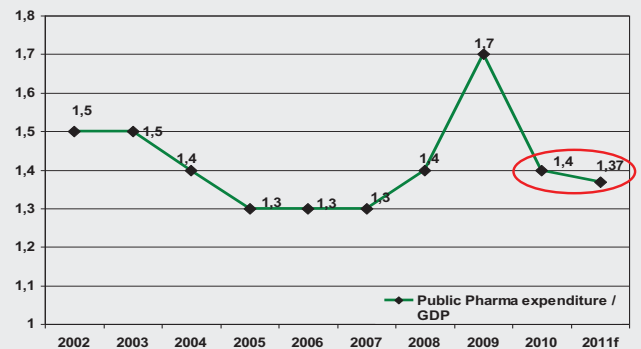
GDP Growth by years (% change)



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Turkish Economy has recovered sooner than expected

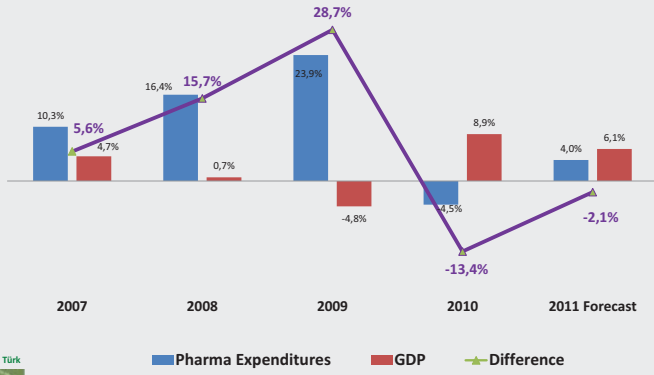
Public pharma expenditure (% GDP)



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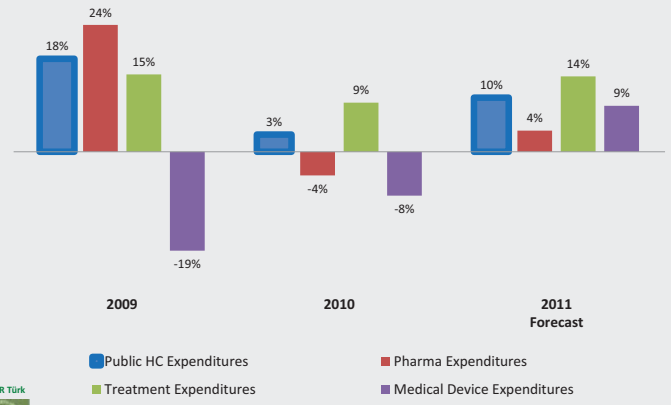
After the measures, the share of public pharma expenditure in GDP fell significantly

Annual Growth Rates GDP and Public Pharmaceutical Expenditures



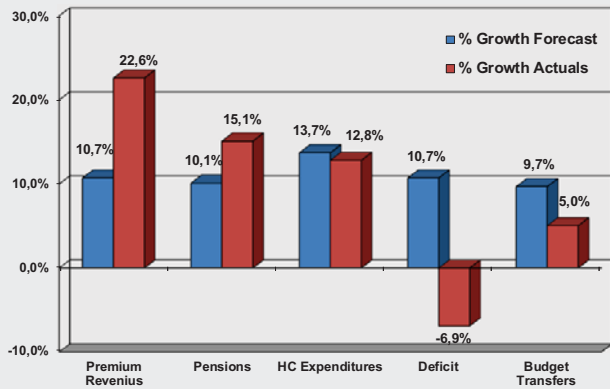
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Growth of Public Healthcare Expenditures



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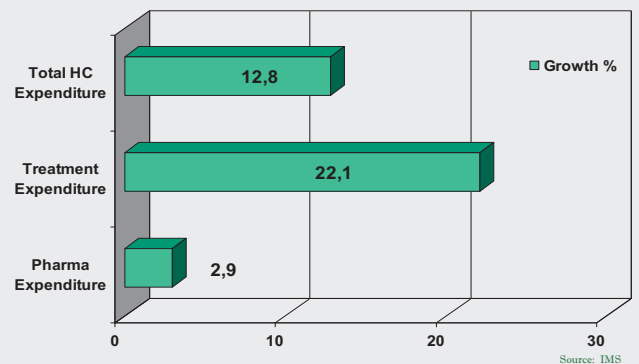
SSI Revenues & Expenditures (2010)



In 2010, SSI health expenditures, deficit and budgetary transfers are lower than planned

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SSI Health Expenditures (2009 vs 2010)

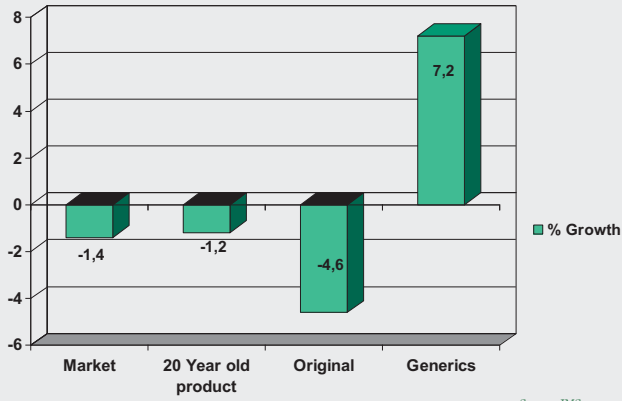


In 2010, Treatment Expenditures increased by 22% whereas Pharmaceuticals increased by only %3

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Source: IMS

Pharma Market



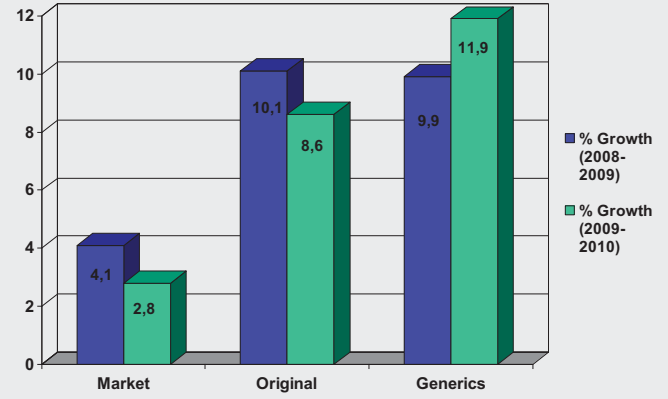
In 2010, Original sales decreased significantly



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Source: IMS

Reimbursed Pharma Market (Unit)



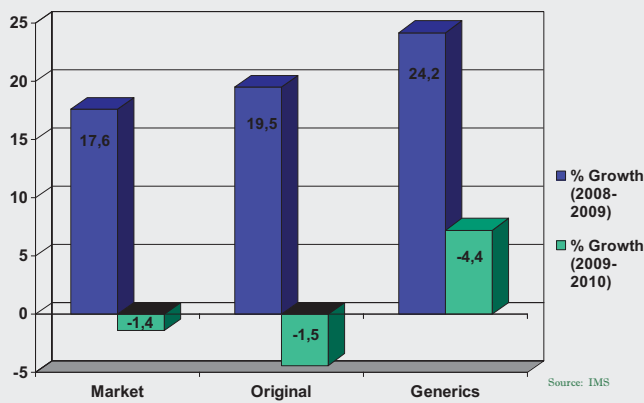
In 2010, Unit growth has decreased from 4,1 to 2,8



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Source: IMS

Reimbursed Pharma Market (TL)



In 2010, Market (TL) growth has decreased from 17,6 to -1,4



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Source: IMS

Thanks
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