Pricing and Reimbursement Process for Medical Devices in CEE

The experience of GREECE

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Outline

• Health Care Reforms in Greece
• Impact on Health Expenditure Evolution
• Overview and Impact on the Greek MD&D Market
• Pricing & Reimbursement of Medical Devices & Diagnostics
• Summary of Proposals for MD&D
Greek Memorandum

Keep public Healthcare expenditure at or below 6% of GDP

– while maintaining universal access
  and
– improving the quality of care delivery

Recent reforms & measures

• Rapid implementation of healthcare system reforms over the past 3-4 years based on Troika memorandum
• Centralized procurement implemented through the National Procurement Authority (EPY)
• All insurance funds have been merged into one Social Security Fund EOPYY
• Efforts to create an integrated IT system intra and across healthcare sector
• The implementation of the DRG system (KEN)
• Merging of hospitals to improve efficiency
• Internal & external controllers assigned to hospitals
• National Statistics Organization (ELSTAT) – provision of data in line with Eurostat, OECD in line with the System of Health Accounts
Impact on Health Expenditure Evolution

Greece Healthcare Expenditure compared to Eurozone (2003-2011)
Total Health Expenditure % of GDP

Public Health Expenditure % of GDP

Health Spending across OECD

Average annual growth in health spending across OECD countries in real terms, 2000-2011

Note:
Growth rates for Australia, Denmark, Japan, Mexico and Slovak Republic refer to 2009-10 instead of 2009-11.
Growth rates for 2009-11 are not available for Luxembourg and Turkey.
Growth rates for Chile calculated using the Consumer Price Index (CPI).
Overview and Impact on the Greek MD&D Market

Greece ranks below the OECD average in terms of health spending per capita, with spending of 2361 USD in 2011 (adjusted for purchasing power parity), compared with an OECD average of 3339 USD in 2011.
**MD&D Market Size 1995-2012**

- **MD&D Turnover Evolution 1995-2012**

- **MedTech Performance - Industry Index**

- The Boston Consulting Group
  
  *Slow Burn – The need to transform the Medtech model in Europe*
  
  *Medtech Europe*
### % Change of value of the MD&D market

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<tbody>
<tr>
<td>% Change</td>
<td>+12.3%</td>
<td>-23.5%</td>
<td>-27%</td>
<td>-16%</td>
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</tbody>
</table>

### Greece NHS Expenditure 3 main categories

<table>
<thead>
<tr>
<th></th>
<th>Q1 2011</th>
<th>Q1 2012</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumables</td>
<td>102,665</td>
<td>77,129</td>
<td>-24.9%</td>
</tr>
<tr>
<td>Orthopedics</td>
<td>18,197</td>
<td>12,190</td>
<td>-33%</td>
</tr>
<tr>
<td>Reagents</td>
<td>37,326</td>
<td>35,201</td>
<td>-5.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>158,189</td>
<td>124,520</td>
<td>21.3%</td>
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Πηγή: Υπουργείο Υγείας ESY.net ICAP Sectoral Study 2012

### Pricing & Reimbursement of Medical Devices & Diagnostics
Price Regulating Factors

- Price Observatory Compliance
- Tender Contracted Prices
- DRG Tariffs
- Pricing/Reimbursement
- Direct Hospital Orders

Price Regulating Factors

- DRG Tariffs need to reflect actual costs of procedures
- Lack of Health Technology Assessment (HTA) Committee
- Tenders use least cost selection criteria
- Price Observatory mandates price

Medical Devices Issues and Impact 1/2

<table>
<thead>
<tr>
<th>Issues</th>
<th>Impact</th>
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<tbody>
<tr>
<td>Price Observatory mandates price</td>
<td>Lacks key criteria such as quality, volume, payment terms</td>
</tr>
<tr>
<td>Lacks key criteria such as quality, volume,</td>
<td>Inflexible process for correcting descriptions &amp; prices</td>
</tr>
<tr>
<td>payment terms</td>
<td></td>
</tr>
<tr>
<td>Tenders use least cost selection criteria</td>
<td>Inhibits quality, technology adoption, innovation, advanced treatment</td>
</tr>
<tr>
<td>Evaluation based on Cost</td>
<td></td>
</tr>
<tr>
<td>DRG tariffs need to reflect actual costs of</td>
<td>Cost of medical devices doesn’t fit into certain DRG tariffs</td>
</tr>
<tr>
<td>procedures</td>
<td></td>
</tr>
<tr>
<td>Lack of Health Technology Assessment (HTA)</td>
<td>Lack of guidelines based on evidence for cost effectiveness of procedures and medical technology</td>
</tr>
<tr>
<td>Committee</td>
<td></td>
</tr>
</tbody>
</table>
Medical Devices Issues and Impact 2/2

<table>
<thead>
<tr>
<th>Issues</th>
<th>Impact</th>
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</thead>
<tbody>
<tr>
<td>Payment delays increase prices</td>
<td>High debts from hospitals to healthcare providers</td>
</tr>
<tr>
<td></td>
<td>Payment delays from Social Security Funds towards hospitals</td>
</tr>
<tr>
<td>NHS does not keep disease evidence data</td>
<td>Hospitals and health care providers do not have guidelines for cost effectiveness of products &amp; procedures</td>
</tr>
<tr>
<td>Fragmentation of IT systems</td>
<td>Misalignment of communication and control among the different healthcare organizations (Units/Hospitals/Providers etc)</td>
</tr>
</tbody>
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Procurement: Price Observatory

Price observatory mandates price

Lacks key criteria such as quality, volume, payments terms
Inflexible process for correcting descriptions & prices

Advantages
- product classification - descriptions
- Price comparisons across hospitals
- Higher price transparency and low price competition

Opportunities for improvement

Redefinition of the role of the Price Observatory

Revise Observatory processes:
- Reclassification of the coding system
- Price setting based on quality, volume, payments terms criteria
- Introduction of a price range per product and not mandating the lowest price
- Correction of entries, and regular updating of prices
## Procurement: Tendering

**Advantages**

- **Promotes competitiveness** (high number of providers - competitive pricing)
- **Simplified ordering process** through contracts
- **Ensures transparency and legal compliance**

**Opportunity for Improvement**

- **Choice of the most economic advantageous tender (MEAT) with accuracy in:**
  - Tender specification including **percentage allocated to price & quality**
  - Simplification of the **legislative process** to avoid delays in assessing offers
  - **Minimization of beaurocracy** related to providers’ documentation
  - Improve **tender evaluation timelines**

## Health Technology Assessment

**Opportunity for Improvement**

- Reinforcement of the National Evaluation Centre of Quality & Technology in Health (EKAPTY) to assess health technology and provide guidelines promoting superior patient outcomes and cost – effectiveness
- OR establishment of a new organization
- Include multiple stakeholders input, transparency, flexibility and systematic evaluation and improvement
DRG’s

Advantages

• Introduction of DRGs (in 2011) based on ICD-10 coding
• Reflection of total hospitalization cost
• DRG culture has started to be engrained in healthcare

Opportunity for Improvement

• A micro costing analysis is needed to reflect actual cost of DRGs
• MD&D accuracy of calculation in DRGs
• Personnel salaries need to be included in the DRGs tariffs
• Promote day surgery options by introducing outpatient tariffs

Summary of Proposals
Proposals for MD&D

- Develop an economically **stable and predictable environment** for the industry
- **Economic sustainability of EOPYY** the national social security fund
- Improve the existing infrastructure for **funding and payments** across the healthcare system
- Implementation and ongoing **improvement of proposed reforms vs introducing new reforms**
- **Multiple stakeholder engagement in decision making**
- **Alignment of electronic systems** for better communication & control across the system
- Consideration of HTA criteria by Pricing & Reimbursement decision makers
- Redefinition of the role of the **Price Observatory** and overall process improvement
- **Improvement of DRG’s**
  - reflect actual costs of devices
  - include regular updates for description and tariff accuracy
  - reimbursement of accepted, innovative cost - effective devices

Thank you