Current reimbursement policy on medical device in Japan and its challenges

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Overview of Japan Healthcare System

MHLW
Chuikyo
(Government reimbursement advisory council)

Reimbursement rule
Outpatients -- FFS
Inpatients -- PPS for DPC hosps
FFS for other hosps
Device/Drug -- FFS, but PPS for DPC hosps (surgery related cost is FFS)

Manufacturers
Medical devices
Pharmaceutical

Request
Products/Purchase

Payer
# of insured
Local govn (36 million)
Employer (73 million)
Special for (16 million)
Elderly

Payment

Provider
Hospital  8,439
Clinic  101,580
Dental  68,913
Pharmacy  58,678
(as of Mar 2017)

Public Expenditure
Insurance Premium

Patients
Citizens

Co-payment (30%, 10-20% for elderly)

Healthcare Service

FFS: Fee for service
PPS: Prospective Payment System
DPC: Diagnosis and Procedure Combination
Two types of reimbursement rule for medical devices

**STM (Special Designated Treatment Material)**

Prices individual medical devices, for example, implant and disposal device types such as pacemakers and artificial joints.

**Non-STM (non-special Designated Treatment Material)**

Incorporates price as part of the technical fee for diagnostic devices such as CT/MRI scanners, or medical devices to be used repeatedly.

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**Medical Device reimbursement for STM**

--Functional category system--

- **Generic name** (like pacemaker, ICD...)
- **Type I** (like single chamber)
  - Brand 1
  - Brand 2
  - Brand 3
  - Reimbursed price 1,000,000 Yen
    - Different generations by same company
- **Type II** (like dual chamber)
  - Brand A
  - Brand B
  - Reimbursed price 1,200,000 Yen
    - By different companies

- Reimbursement price is defined by each category
- 200K product items are listed in 1,200 categories
Medical Device Reimbursement Listing/Revision process

Create new device category and/or new technical fee

4+ months Review by MHLW/ Medical Device Reimbursement Expert Committee

Regulatory Approval → C1/C2/B3 request → Chuikyo Decision/Listing → Biannual Price Revision

- Premium over comparable category
- Cost sum
- New technical fee

A1/A2/B1/B2 request

1-2 months

Market price based revision ↓
- FAP* repricing ↓
- Unprofitable repricing ↑
- Category restructuring ↑ ↓

No price revision method based on efficacy data

Rule for creating a new category (STM)

Similar Function Category Comparison Method

New materials

Similar Function Category Comparison Method

Classified into a similar function class

Unclassified into a similar function class

Cost Accounting Method

Premiums
- Epochal function premium 50-100%
- Utility premium 5-30%
- Improvement premium 1-20%
- Orphan device premium (I) 10%
- Orphan device premium (II) 3%

FAP = foreign average pricing

FAP ratio < 1.3

For some cases:
FAP ratio < 1.5
Existing policies to ensure patients’ early access to advanced technology

• Advanced Medicine (Senshin Iryo)
  ✓ Hospitals can request the government to apply “Advanced Medicine” when 1) the technologies (device, drug and others) have regulatory approval, but not fully reimbursed due to off-label use and other reasons, 2) the technologies are not regulatory approved yet
  ✓ When it is accepted, hospitals can charge the cost of new technologies to patients, and get reimbursement of related fees from NIH (national health insurance)
  ✓ Hospitals need to collect evidence based on protocol, and the data will be used for future discussion on reimbursement

• Health Technology Evaluation Proposal (Iryo Gijyutu Hyoka Teian)
  ✓ Academic societies can request to introduce new technical fees or increase existing fees every other years
  ✓ With this rule, hospitals/manufacturers would accept existing fees for new technologies at the beginning, and would try to increase those fees with evidence creation later on

An Issue of Japan Medical reimbursement rule

• Reward for innovation is not given when the clinical efficacy data is not ready
   For instance, Bioresorbable Vascular Scaffold could not show its real characteristics until the three year after of the implant

• However, STM reimbursement price cannot be increased even if the efficacy data is provided after reimbursement listing

• To reduce device lag (regulatory approval timing difference between Japan and overseas), regulatory agencies have given approvals with less efficacy data
   Recently, the government seems to feel efficacy data is not enough for reimbursement listing in some cases
New rule “Challenge Application”

• New rule, “Challenge Application” was introduced on April of 2018 (only for STM)

• Manufacturers can submit efficacy/safety (clinical) data to request new functional category (premium) after reimbursement listing
  ➢ To do this, manufacturers have to get pre-approval from Medical Device Reimbursement Expert Committee at the time of initial listing

• The detail is not fixed yet on this rule, so the government and industry should discuss how this new rule work effectively
  ➢ Regarding the detail of the rule, what kind of information should be given to the expert committee, the exact process to request challenge application and others are not known